

JPRS-CEA-86-081

27 JUNE 1986

China Report

ECONOMIC AFFAIRS

FBIS FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

27 JUNE 1986

CHINA REPORT

ECONOMIC AFFAIRS

CONTENTS

NATIONAL POLICY AND ISSUES

Professor Views Prospects for Study of Economics (Li Yining; JINGJI CANKAO, 20, 21 May 86)	1
Part I of Article	1
Part II of Article	4
Regional Economic Development Classification Discussed (Feng Shixin; JINGJI KEXUE, No 3, 20 Jun 85)	7

PROVINCIAL AFFAIRS

Zhejiang Governor Presents Seventh 5-Year Plan Report (Xue Ju; ZHEJIANG RIBAO, 15 May 86)	14
Fujian Governor Reports to 6th Provincial People's Congress (FUJIAN RIBAO, 16, 21 May 86)	46
Reviews Sixth 5-Year Plan	46
Views Plan To Help Poor Localities	48
Assesses Population Growth Control	50
Li Ximing Addresses Beijing People's Congress 20 May (BEIJING RIBAO, 21 May 86)	51
Nei Monggol's Zhang Shuguang Inspects Banners, Counties (Nei Monggol Regional Service, 6 Jun 86)	54
Gansu Leaders Speak on Economic Work Issues (Gansu Provincial Service, 7 Jun 86)	56

ECONOMIC DEVELOPMENT ZONES

- Formation, Structure of Open Coastal Economic Zone
(Chen Zhaowu; SHENZHEN TEQU KEJI, No 2, 1985) 58

ECONOMIC MANAGEMENT

- New Methods To Enliven Shenyang's Small Enterprises Reported
(RENMIN RIBAO, 8 Jan 86) 68
- JINGJI YANJIU on Rural Joint Capital Enterprises
(Li Lianjin; JINGJI YANJIU, No 3, 20 Mar 86) 70
- Paper Notes Importance of Trade, Industry Integration
(Chang Fengchen; JINGJI GUANLI, No 4, 5 Apr 86) 79
- Issues in Price Reform Discussed by Institute Director
(Xu Zhihe; SHANGHAI JINGJI, No 3, 15 Jun 85) 88

FINANCE AND BANKING

- Prerequisites for Shanghai To Be Financial Center Discussed
(SHIJIE JINGJI DAOBAO, 23 Sep 85) 90
- Question of Inflation Due to Price Reform Discussed
(Wang Shimin; GONGREN RIBAO, 18 Nov 85) 93
- Insurance Industry Developments Reported
(JINGJI DAOBAO, 1 Jan 86) 96
- Wuhan Steel Corporation Profit Taxes Reported
(Zhang Dongsheng, He Jinkai; HUBEI RIBAO, 13 Nov 85) 101
- Yanshan Petrochemical 1985 Profit Tax 1.3 Billion Yuan
(Deng Wei, Zheng Bo; JINGJI RIBAO, 2 Dec 86) 103

/9986

NATIONAL POLICY AND ISSUES

PROFESSOR VIEWS PROSPECTS FOR STUDY OF ECONOMICS

Part I of Article

HK021221 Beijing JINGJI CANKAO in Chinese 20 May 86 p 6

[Article by Professor Li Yining (0632 0110 1337) of Beijing University:
"Prospects for the Study of Economics in China"--part 1 of 2]

[Text] I. The Challenges Facing Economics

1. The Chinese economy is in a period of transformation from an old structure to a new one and the study of economics cannot remain at the original level. The historic mission of the economic circles is to adhere to and develop Marxism in light of China's practical conditions and to raise theoretical studies to a new level.
2. In the study of economics, outdated concepts will not voluntarily disappear. There is nothing serious in this. Before long, nobody will like to read articles spreading outdated concepts or to listen to lectures publicizing outdated concepts. We should concentrate on studying and solving new problems. This is the main area in which we should concentrate our efforts.
3. Only by ceasing to confine their tasks to explaining existing policies is it possible for economics workers to make breakthroughs in their studies and to make new headway in their theoretical studies.
4. A serious defect in the study of socialist economic over the years is that we have not paid sufficient attention to analyzing economic operations. For this reason, an urgent task facing the study of socialist economics is to establish our own scientific theory on socialist economic operations. This is precisely the basic contents of our socialist economics.

II. The Social Responsibility of Economics Workers

5. If we do not study new problems in Chinese socialist economy, who will? If we do not explain the new phenomena that have occurred in Chinese economy, who will? If we do not establish new branches of science, who will? We should have the spirit of "not passing to others what we

are called upon to do." It can be predicted that 1 decade from now a number of outstanding economists representing China's new economics will emerge from people between 30 and 40 years of age today. People our age will play a role as transitional figures serving as a link between past and future. Assisting young and middle-aged economic workers is a task history has entrusted to us.

6. It is necessary to have courage in developing Marxist economics. We should free our minds of apprehension so long as it contributes to socialist construction. Problems that have not been explained in classical works may be raised for discussion. If, in light of the new conditions, it is necessary to restudy problems that have been discussed in classical works, we may also air our views. We may also use new methods or terms that have never been used in classical works so long as they are more or less scientific. We should not confine ourselves to scholastic studies.

7. Economics workers have the duty to analyze and to comment on policies. Silence on the part of economic circles constitutes an incalculable loss to the cause of socialist construction. Naturally, it is necessary to discuss current economic policies on an item-by-item basis and on different scales and to pay attention to the social effect of the policy discussion. In holding a policy discussion, it is necessary to combine motive with effect.

8. It is necessary to make a scientific analysis on the results achieved by foreign countries in the study of economics. It is incorrect to indiscriminately affirm or negate them lock, stock, and barrel. It should be stressed here: We should proceed from China's practical conditions in everything; we should not mechanically copy them even if they can be taken as a reference. Our objective is to learn from the strong points of various schools of thought in order to build up our own economic science.

III. The Vitality of Economics Lies in Bringing Forth New Ideas

9. Bringing forth new ideas in economics refers not only to making some breakthroughs and achieving some results in the study of applied economics, but, what is more important, to blazing new trails in the study of theoretical economics. This is because theoretical economics is the basis of applied economics.

10. To blaze new trails in economics, we should rely on collective wisdom. However, collective wisdom can be brought into full play only in an academic environment, where different schools of thought contend. A problem in economics can finally be solved only after repeated discussions and repeated confrontations of academic views. In this sense, all of us should participate in the contention and contribute our share in blazing new trails for socialist economics.

11. New concepts of socialist economics are often regarded as heretical at first. There is nothing strange about this. The heart of the matter does not lie in whether the new concepts were at first regarded as heretical but in whether they can later stand the test of practice. In fact, all theses of economics were regarded as hypotheses when they were first set forth. Without these hypotheses, it would be impossible to make any headway in the study of economics. Economics always advances in the course of constantly setting forth hypotheses and testing and verifying them.

12. In order to achieve new breakthroughs in the study of economics, in addition to expanding their range of knowledge and enhancing their ability to analyze problems and to express their ideas, what is more important to economics workers is to engage in independent thinking. If all economics workers are good at independent thinking and constantly kindle "ideological sparks," we can develop a contingent of high-quality research workers in economics.

IV. The Development of Economics Needs a Favorable Academic Environment

13. The development of economics needs a favorable academic environment and so does the development of all branches of learning, including literature, philosophy, other social sciences, and all natural sciences. Without a universally favorable academic environment, it would be impossible for economics to develop in isolation and for economics workers to "fight in isolation." We hope that a favorable academic environment will be created for science as a whole.

14. There is no need for economics workers to give serious attention to critical views that are not raised in a realistic manner. However, it is necessary for the departments in charge of ideological matters to create a favorable academic environment for the contention of economics. The practice of socialist construction will give a fair judgment of the ongoing academic contention. In the study of economics, it is necessary to prevent the following phenomenon: Some people neither pay attention to nor study practical problems at ordinary times. They are only keen on finding ready answers from books. However, when they note some new concepts in the course of discussion, they will copiously quote authoritative works as if they were the most qualified persons to criticize those studying practical problems. This is obviously an abnormal phenomenon, which we wish will not happen in the future.

15. All people are equal in the study of economics. All experts, authorities, and leaders join in the discussions in the capacity of academic researchers. They should respect science and submit themselves to the truth. Only in this way will there be hope for the prosperity of economics.

16. Those who achieve successes in the study of economics are not necessarily professional economics workers. Amateur economics workers and those who study other specialties but who are interested in economics

will join the ranks of economics researchers. We should create a favorable academic environment for their participation in economics studies and not lightly censure them as "failing to attend to their proper duties." It is precisely the duty of all builders of socialism to offer advice, put forward proposals, and think of ways for socialist economic construction. Professional economics workers should never have the inclination of closed-doorism. In both history and practical life, are there not sufficient examples of how people who have never received professional training in economics have become well-known economists?

Part II of Article

HK021239 Beijing JINGJI CANKAO in Chinese 21 May 86 p 6

[Article by Professor Li Yining (0632 0110 1337) of Beijing University: "Prospects for the Study of Economics in China"--second and final part]

[Text] V. The Knowledge Composition of Economics Workers

17. Economics basically develops simultaneously with other branches of learning and the overlapping and infiltration between different branches of learning are being conducted at an increasing pace. New fields of economics studies have developed on the border areas between economics and other branches of learning. Economics workers should be concerned about the latest developments in other branches of learning, pay attention to absorbing the latest achievements in other branches of learning, and try to explore and open up new channels of research on these border areas.

18. The knowledge composition that economics workers should possess are inseparable from the tasks facing economics in each era. It is necessary to have a correct understanding of this knowledge composition. A common understanding is that economics workers should have knowledge of natural sciences, master calculation skills, receive training in statistics, and so on. This is a correct understanding. However, we should not neglect that even economic theories likewise face the problem of knowledge renewal. If we pay attention only to the renewal of economics methods to the neglect of the renewal of economics theories, it will be impossible for us to achieve greater successes in our research.

19. In the study of economics, various methods always complement one another. A breakthrough in the methods of studying economics implies: 1) We should be good at choosing research methods according to the research topics and at combining various methods so that we can reach a new level in the use of existing methods. 2) We should be good at introducing certain methods in other branches of learning so that they can become new methods of studying economics.

20. Constant changes in knowledge composition make it entirely possible for a new generation of economics workers to discover the weak links in the research work of the older generation of economics workers and to ultimately surpass the older generation of economic workers. Economics attains a new plane in exactly this way.

VI. The Unity of the Standard Nature [gui fan xing 6016 5400 1840] and the Positivist Nature [shi zheng xing 1395 6086 1840] of Economics

21. As the science of social enlightenment, economics tells people how to judge the right and wrong of economic matters. As the science of social designs, economics tells people how to attain the set objectives. Viewed from social enlightenment and social designs, the standard nature and the positivist nature of economics always form a unity.

22. It is impossible to interchange positivist studies and standard studies in socialist economics. In the past, we paid attention neither to positivist nor to standard studies. It was precisely because we did not attach importance to standard studies that we failed to differentiate between right and wrong and made wrong judgments. The result was that what should not have been affirmed were lauded to the skies and that some originally correct things were "thoroughly refuted." It can thus be seen that overlooking the standard studies of economics will cause greater losses to socialist economic construction.

23. The study of economics can be divided into different levels. At the lower levels, positivist studies account for a larger proportion. At the higher levels, however, standard studies account for a larger proportion.

24. "Economics papers" consisting of 50 percent of quoted passages "with quotation marks" and 50 percent of others "without quotation marks" no longer appeal to readers. In the future, academic periodicals should publish articles that contain the writers' original ideas or in which the writers excel themselves in either standard or positivist studies. This will be a literary style of China's economics. The development of this literary style depends on the concerted efforts of us all.

VII. Prospects for the Study of Economics in China

25. Only by basing our work on our own country and the reality is it possible for us to make breakthroughs and to blaze new trails in the socialist economics.

26. Various schools of socialist economics holding different academic views will emerge under the guidance of Marxism. None of the schools should have a sectarian bias. Those who approve the basic academic concepts of this school should be regarded as a member of this school. Schools of thought should not close themselves to the outside world.

27. In the field of socialist economics, different schools emerge and gradually develop in the course of academic contention. When a school first emerges, it is impossible to have very perfect academic concepts. However, it must have some new concepts, adopt new methods, and put forward new ideas. Perfection of this school will be left to the joint efforts of the other members of the school. In this way, all schools will not remain at the initial levels but will forge ahead; in socialist economics

as a whole, a situation of constant progress will also emerge. That is to say, contention among different schools of thought will be conducted at increasingly higher levels. This is an indication that the study of economics in China is flourishing.

28. Different schools of thought will exist for a long time. If, in the future, some people hold that all these schools have deficiencies or that it is possible to coordinate various schools of thought, another new school will then come into being. This has happened in the history of economics theories and will also happen in China's economics circles. It can be predicted that provided there is a favorable academic environment and a contingent of high-quality economics research workers, different schools will not only emerge in China's economics circles but some new schools will continue to emerge. The study of socialist economics will go deeper and the level of economics in China will also become higher. We look forward to the arrival of this prospect.

/9604

CSO: 4006/1090

NATIONAL POLICY AND ISSUES

REGIONAL ECONOMIC DEVELOPMENT CLASSIFICATION DISCUSSED

Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 3, 20 Jun 85 pp 52-55

[Article by Feng Shixin [7458 0013 2450] of the Xian Jiaotong University: "On the Issue of the Division of Regional Types in Economic Development"]

[Text] Since the nation's founding, we have roughly classified our country's regional types in economic development as follows: In the 1950's, in the First 5-Year Plan and in Comrade Mao Zedong's report "On the 10 Major Relationships," the regional types in the economic development of our country were classified into the "coast" and the "hinterland." The policy on correctly handling the relationship between coastal industry and the industry of the hinterland was also put forth. This could be referred to as a "binary method." Later, some people proposed the drawing of an oblique line from Aihun in Heilongjiang Province to Tengchong in Yunnan Province. East of the oblique line were the "developed regions" and west of the oblique line were the "underdeveloped regions." This could also be referred to as a "binary method." In the "Sixth 5-Year Plan" approved by the Fifth Conference of the Fifth NPC, the regions were classified into the "coast," "the hinterland" and "minority nationality and underdeveloped region." This could be called a "ternary method." Comrades Zhou Zhiquan and Liu Jiajin published an article entitled "Several Issues on the Development of the Productive Forces in the Underdeveloped Regions in Our Country" in the second issue of the 1984 "Economic Science." In the article, the authors maintained that the above classifications "overemphasized the regional concept," and "failed to accurately represent the reality of the level of development of the productive forces of the various regions." As a basis for classification, they advocated the "establishment of a comprehensive index system which could represent the level of development of the productive forces in various respects." Prior to the establishment of this index system, assessment should be carried out on the following important indices: the per-capita gross value of social output, the social labor productivity, the gross value of social output on every square km of land and the situation of financial revenue and expenditure of the selected regions. Since our country lacked the statistical data on the regional per-capita gross value of social output, the authors therefore advocated using the per capita gross value of industrial and agricultural output (GVIAO) as the basis for classifying the regional types in economic development, and supplementing and revising the data on the basis of the other three indices. Taking the per capita GVIAO throughout the country in 1981 as

the basis, they carried out readjustment, and categorized those provinces, municipalities and autonomous regions with a regional per capita GVIAO of over 1,000 yuan as "developed regions," those between 600 to 1,000 yuan as "average developed regions" and those under 600 yuan as "underdeveloped regions." The results of classification according to this index were as follows: There were 7 provinces, municipalities and autonomous regions throughout the country which were categorized as "developed regions," only 6 categorized as "average developed regions" and 16 categorized as "underdeveloped regions" (including Hunan, Fujian, Shaanxi, Jiangxi, Henan, Anhui, and Sichuan provinces). Comrades Zhou Zhiqun and Liu Jiajin put forth the necessity of "establishing a comprehensive index system which can represent the level of productive forces of the various aspects" and use it as the basis for classifying the regional types in economic development. Although this has inspired us positively, yet their "new ternary method" embraces many problems which merit discussion.

How should we classify regional types in economic development? I feel that the most fundamental and foremost task is to clarify the guiding ideology in the classification, i.e., the goal of and indication for classification. The fundamental goal of the classification of regional types in economic development is to rationally deploy productive forces in the various regions throughout the country. This means that we must conduct a practical and realistic estimate of the productive forces which have been formed in different regions in our country within a definite period of time. In this way, the state can conveniently proceed from reality, implement classified guidance in economic construction, formulate the strategies for economic development of different regions as well as the principle, policies and measures for realizing the strategies, rationally deploy productive forces within the national scope, and promote an upsurge of the entire national economy. On the basis of this guiding ideology, I feel that: 1) The indication for the classification of regional types in economic development should be the productive forces which are formed in different regions within a definite period of time, and not other criteria (such as the extent of wealth or the extent of economic results of different regions). 2) With the development of economic construction, the classification of regional types in economic development must also change with the changes in the development of the situation of deployment of the productive forces, i.e. the classification of types must accurately represent the objective reality of the changes in the development of the productive forces. 3) The result of the classification of regional types in economic development must provide the scientific basis for guidance in economic construction.

Proceeding from the abovementioned guiding ideology and classification principle, how should we assess these methods of classification? I feel that the "binary method" conformed to the objective reality of the deployment of productive forces in our country in the early days of the nation's founding, and once played a positive role in guiding our country's economic construction. The conditions of the deployment of productive forces which the old China had left behind were as follows: 70 percent of our modern industry was concentrated on the eastern coastal region, which constitutes less than 12 percent of our land. Inversely, the gross value of industrial output of the vast western region, 68 percent of the land in our country, only constituted 9 percent of the nation's gross. Most of the railways and highways were built

along the eastern coastal region and in the northeast region, while communications in the southwest and northwest regions were inaccessible. In light of this situation, at the beginning of the First 5-Year Plan, the state put emphasis on strengthening the construction of the hinterland while fully utilizing the industries along the coast. More than half of the capital construction funds were invested in the development of the hinterland. In the gross amount of capital construction investment throughout the country, the percentage of investment in the hinterland in the various periods has varied: 47.8 percent in the "First 5-Year Plan" period; 53.7 percent in the "Second 5-Year Plan" period; 58 percent between 1963 and 1965; 66.8 percent in the "Third 5-Year Plan" period; 53.5 percent in the "Fourth 5-Year Plan" period; and 49.5 percent in the "Fifth 5-Year Plan" period. After 30 years of construction, the value of industrial output of the hinterland has increased by more than 40 times. Its proportion in the gross value of industrial output throughout the country has increased from 28 percent in the early days after Liberation to 36 percent. By 1978, the proportion of the fixed assets owned by the state-owned industrial enterprises in the hinterland increased from 27.1 percent in 1952 to 53.6 percent of the nation's total. Currently, the industrial fixed assets of the two large regions of the southwest and northwest as well as Hunan, Hubei, Henan and Shanxi provinces constitute more than one-third of the gross amount of industrial fixed assets of the whole country, and the gross value of industrial output of these regions constitutes one-fourth of the nation's gross. In the railway operation mileage throughout the country, the southwest and northwest regions have increased their percentage from 5.5 percent in 1949 to 24.8 percent in 1979. In the highway operation mileage throughout the country, the southwest and northwest regions have also increased its percentage from 24.2 percent in 1950 to 31.9 percent in 1979. The above data shows that, after 30 years of construction, great changes have taken place in the deployment of our country's productive forces. Thus, if we continue at present to classify the country into the "coast" and the "hinterland" (or into "developed region" and "underdeveloped region" according to the "new binary method"), then, we will not be able to represent the objective reality of the deployment of our country's productive forces at the present stage, and will not be able to meet the needs of guiding our economic development still further in the future.

The "Sixth 5-Year Plan" has classified our country's regions in economic development into "coastal region," "hinterland region," and "minority nationality and underdeveloped region." Different guiding principles have also been put forth for different regions: The coastal region must bring into full play its special strength and motivate the hinterland, must develop high-grade, precision and advanced industries, and must actively expand foreign trade. The hinterland region must speed up its energy, communications and raw materials industrial construction in support of the coastal region, must restructure, reorganize and assemble the present machine-building industry, develop consumer product industry in a planned manner, and bring into full play the potentials of agricultural production. The minority nationality and economically underdeveloped region must bring into play its superiority in agriculture and animal husbandry. In light of the characteristics of its resources, it must strengthen industrial construction in a planned manner. We must continue to support it in terms of financial resources, material resources and technological strength. This manner of classification of

regional types in economic development and the guiding principle are suitable to the objective reality of our country's current deployment of productive forces and is favorable to the implementation of classified guidance in economic construction. It is thus correct. We can further prove its correctness in the following respects:

First, in terms of historical development, China's development began in the middle reaches (inland) of the Huanghe and Changjiang. With the development of a commodity economy, in particular with the invasion of foreign capitalism, the coastal economy gradually became colonialized or semicolonialized. However, the coast has more productive forces in modern industry and communications and transport undertakings, and takes the lead in the nation in the level of development. Comparatively speaking, the level of productive forces of the hinterland is backward. Moreover, due to restrictions by all kinds of factors, including social system, population and communications, the frontier region has all along remained underdeveloped. On this basis, after 30 years of emphasis on strengthening hinterland construction since Liberation, objectively, the regional differences in the extent of the development of the productive forces of the "coastal," "hinterland" and "minority nationality and underdeveloped" regions have become more conspicuous.

Second, in terms of the present condition of the development of productive forces, these three regions all embody their own striking characteristics. The coastal region has a better industrial foundation, a higher level of production technology, a higher level of business management and better economic results. However, it is densely populated and suffers from an energy shortage. There are more restrictive factors for further economic development. The hinterland has more newly-built industries and more adequate energy and raw materials supply. However, its management level is low and its economic results are poorer than the coastal region. There is greater potential for agricultural production. The minority nationality and underdeveloped region has a smaller population, a vast land and abundant natural resources. However, it has little modern industry and poor transport facilities. It must create the conditions for further development.

Third, in terms of the formulation of strategies for economic and social development, it is also necessary to classify the regions into three types. The coastal region not only has high economic standards, but also has the geographical advantage to conveniently carry out economic and technological exchanges with foreign countries. Furthermore, it has established more external economic relationships in the past as well as accumulated experiences in that respect. Different policies should obviously be adopted for the hinterland region where there are more newly-built industries and potentials which have not yet been fully developed. Needless to say, special policies must be adopted for the development of the "minority nationality and underdeveloped region."

Comrades Zhou Zhiqun and Liu Jinjia put forth the "new ternary method" of classifying types in economic development on the basis of a series of indices with the per capita GVIAO as the key. I feel that this is worth discussing. The primary reasons are as follows: First, their disagreement with the "one-sided emphasis on the regional concept" in classifying regional types in

economic development is worth studying. 1) Classifying regional types in economic development is an issue involving the study of the deployment of productive forces. It attempts to study the distribution of productive forces in various regions in our country at the present stage. We cannot depart from the "regional concept" in considering the issue. 2) The geographical characteristics of a certain region have great bearing on the condition of the productive forces of that region. 3) In terms of the implementation of the principle of rational deployment of productive forces, we must carry out industrial production near the raw material and fuel producing areas and the sales markets, implement cooperation among specializations, speed up the development of economically backward regions, and implement the nationality principle and the national defense principle. These are all closely related to the regional characteristics of different regions.

Second, it is not scientific enough to simply use such indices as per capita GVIAO, social labor productivity, the gross value of social output of our land, and financial revenues and expenditures, to explain the level of productive forces of different regions and to use them as the criteria for classifying regions into developed and underdeveloped regions. These indices (gross output value, labor productivity, financial revenues and expenditures, and so on) represent the results of the roles played by certain productive forces, but are not equivalent to the productive forces which have been formed. They may represent the level of economic development, economic results and extent of wealth attained by different regions, and are meaningful to assessing the economic work--good or bad--of different regions. However, from the angle of the study of the deployment of productive forces, they cannot fully represent the condition of the productive forces which have already been formed in the different regions. We know that productive forces include the human element and the material element. In terms of the condition of regional productive forces, the human element is manifested in the number of laborers, in particular, in the education, scientific and technological strength which a region possesses and the cultural, scientific and technological level of the laborers of that region. Leaving aside the controversy that the object of labor is an important material element, it is generally recognized that the condition of labor materials (technological equipment) is an indication of the level of development of the productive forces. Thus, the rational indices which directly represent the condition of the productive forces which have been formed in the various regions should be the conditions of the productive capacities or fixed assets (including the productive capacities in industry and agriculture, the communications and transportation factors, and so on) which have been formed, the educational, scientific and technological facilities which have been formed and their corresponding capabilities, as well as the cultural, scientific and technological levels of the laborers. Herein exists the difference between the productive capacities which have been formed and the results of the actual roles played by certain productive capacities. Currently, one problem in our country's economic development lies in the following: After Liberation, the newly-increased productive capacities and education and scientific and technological strengths of the hinterland region have been developed to a great extent. However, with the restructuring of the economic structure, the shortcomings in the management system, and relatively backward business management, the productive capacities which have been formed in these regions have not been brought into full play. Thus, the

GVIAO, labor productivity and financial revenues of these regions are still very low. To solve these problems, we must rely primarily on restructuring, reform and rectification to improve economic results and bring into full play the role of the productive capacities which have been formed. The minority nationality and underdeveloped region, however, must rely primarily on increasing new productive capacities in order to carry out new development.

Third, using the per capita GVIAO as the criterion for classification, we may easily confuse those regions with different types of economic development. This will be unfavorable to the formulation of regional economic development strategies and classified guidance in economic construction. This is because this classification method is calculated using the total population of different regions as the base figure. However, in our country, the differences in the total population of different provinces and regions are too great. In accordance with the third national census: In 1982, the total population of Sichuan Province was 99.71 million people, with a population density of 176 people per sq km; the total population of Tibet was only some 1.89 million people, with a population density of only 1.6 people per sq km. The total population of Sichuan was 53 times that of Tibet, and the population density was 118 times that of Tibet. The differences in the total population of different provinces and regions can be from several times to more than 10 times, while the population density can be from more than 10 times to more than 100 times. Under such a circumstance, using the per capita GVIAO as the "most important" criterion to gauge the level of development of the productive forces, we will classify those provinces and regions with obvious and immense differences in the level of development of their productive forces as one regional type. For instance, we will classify both Tibet and Sichuan as "underdeveloped regions." Can this "accurately represent the reality of the level of development of the productive forces in the various regions"? In their article, Comrades Zhou Zhiqun and Liu Jinjia discussed the "handling of the problems which currently exist in the development of productive forces in the underdeveloped regions." They maintained that the underdeveloped regions are at the rudimentary stage of the development of the productive forces. Their poor economic results are the crux of the development of the productive forces of the underdeveloped regions. Besides geographical location, science and technology and other factors, the weakness in the infrastructure such as communications and transportation is a primary reason why the economic results are poor and the profits are low. This analysis is no doubt correct with regard to the "minority nationality and underdeveloped region" pointed out in the "Sixth 5-Year Plan." However, this is obviously inaccurate with regard to the so-called "underdeveloped regions" as indicated by their "new ternary method," which includes 16 provinces and regions constituting more than half of the country's territory. The purpose of classifying regional types is to provide the basis for classified guidance in economic construction. What realistic significance therefore can the classification by comrades Zhou Zhiqun and Liu Jinjia have in guiding our country's economic construction? In the economic construction (in particular, in the development of the great northwest and the great southwest regions), are the positions and roles of

those 16 provinces and regions which are included in the so-called "underdeveloped regions" the same? Toward these many so-called "underdeveloped regions," can the state adopt the "supportive" policy stipulated in the "Sixth 5-Year Plan" on the "minority nationality and underdeveloped region" or the "special policy" which comrades Zhou Zhiqun and Liu Jinjia proposed in their article? This is obviously impossible.

9335

CSO: 4006/391

PROVINCIAL AFFAIRS

ZHEJIANG GOVERNOR PRESENTS SEVENTH 5-YEAR PLAN REPORT

OW072300 Hangzhou ZHEJIANG RIBAO in Chinese 15 May 86 p 1

[Report on the Seventh 5-Year Plan of Zhejiang Province, delivered by Zhejiang Provincial Governor Xue Ju on 5 May 1986 at the Fourth Session of the Sixth Provincial People's Congress--passage within slantlines published in boldface]

[Text] Deputies:

The main item on the agenda of the current session of the Sixth Provincial People's Congress is to examine and approve our province's Seventh 5-Year Economic and Social Development Plan. On behalf of the provincial people's government, I now deliver a report on this plan for your examination and approval.

The work of drafting our province's Seventh 5-Year Plan has lasted for more than 2 years. As the State Council arranged, the provincial people's government organized all localities and provincial departments to conduct extensive investigations and studies, make estimates, and acquire opinions from people of all circles with regard to the targets and tasks of the Seventh 5-Year Plan. Then, after repeated revisions, a preliminary draft of the Seventh 5-Year Plan was drawn up. In late April the Zhejiang Provincial CPC Committee called an enlarged plenary meeting to seriously discuss this preliminary draft, and many important suggestions were made at that time. The draft plan now distributed to you for examination and approval was finalized after being revised according to the suggestions received from various quarters.

I will first report on the work done in implementing the Sixth 5-Year Plan. Then I will give some explanations on the questions of the basic tasks of the Seventh 5-Year Plan and the principal economic work, economic reform, and building of spiritual civilization during this period.

I. Implementation of the Sixth 5-Year Plan

Guided by the line, principles, and policies formulated since the 3d Plenary Session of the 11th CPC Central Committee and through the joint efforts of the people throughout the province, we have fulfilled or

overfulfilled the main tasks and targets set in our Sixth 5-Year Plan. We may say that the period of the Sixth 5-Year Plan was one marked by the most vigorous economic construction and social development and the most prominent changes in our province since the founding of the People's Republic.

During the Sixth 5-Year Plan our province's economy showed sustained and steady development at a relatively high rate. From 1980 to 1985 our province's gross value of industrial and agricultural production rose from 30.1 billion yuan to 67.8 billion yuan, while the domestic income rose from 15.8 billion yuan to 35.7 billion yuan, both more than doubling and exceeding the planned targets by over 60 percent. Increases of such magnitude were never experienced in any of the previous 5-year plans.

A breakthrough was made in the development of agriculture. The province-wide agricultural output value for 1985 (including industrial production at and below the village level) reached 23.4 billion yuan, more than double the 1980 amount. The average annual growth rate was 15.7 percent for these 5 years. Output of all agricultural products increased by a wide margin. Compared with the records for the period of the Fifth 5-Year Plan, the average annual output of grain increased from 13,869,000 metric tons to 16.3 million metric tons during the Sixth 5-Year Plan, cotton from 66,000 metric tons to 95,000 metric tons, rapeseed from 189,000 metric tons to 359,000 metric tons, the number of pigs slaughtered from 10.29 million head to 12.38 million head, and aquatic products from 800,000 metric tons to 910,000 metric tons. The amount of timber reserves in the province also exceeded that during the Fifth 5-Year Plan.

Village and town industries made great headway. The value of these industries' total output reached 20.7 billion yuan in 1985, showing a more than fourfold increase in 5 years. Meanwhile, there was a significant change in the rural production structure, in that the rural economy was no longer based on farming alone, but embarked on the track of all-around development of farming, forestry, animal husbandry, sideline production, fisheries, and comprehensive operations in agriculture, industry, and commerce.

Industrial production continued to develop. The province's total industrial output value (excluding industries at and below the village level) reached 44.4 billion yuan in 1985. This was 1.36 times more than in 1980 and pushed our province from 12th to 7th position in the country in terms of industrial output value. The planned targets were fulfilled or overfulfilled for most of the major industrial products. From 1980 to 1985 the annual output of electric power rose from 8.1 to 13.2 billion kwh, steel from 390,000 to 540,000 metric tons, cement from 2.28 to 8 million metric tons, and chemical fertilizers from 490,000 to 520,000 metric tons. During this period, output of cotton yarn, cloth, and woolen fabrics all doubled, while production of television sets, refrigerators, washing machines, and other household electric appliances increased from over a dozen times to several dozen times. In the meantime, relatively big progress was made in transportation, postal, and telecommunication

services. In 1985 the transportation departments in our province transported a total of 25.6 billion metric ton-kilometers of cargo, up 34 percent compared with 1980. The total business volume of postal and telecommunication service was close to 200 million yuan, more than double that of 1980. While production rose steadily, economic efficiency was raised to a fairly big extent. Compared with 1980, labor productivity at industrial enterprises owned by the whole people and operating with independent accounting systems rose 36 percent in 1985, average energy consumption for each 10,000 yuan of industrial output value dropped 33 percent, and the volume of tax revenues and profits created by industrial enterprises included in the budget increased 36 percent.

Considerable achievements were made in capital construction and technological transformation. In the 5 years, a total investment of 7.7 billion yuan was made in capital construction by units owned by the whole people, a 72-percent rise compared with the investment made during the Fifth 5-Year Plan. Thirty-one big and medium-sized projects were completed. The investment in technological upgrading and transformation of enterprises was 4.1 billion yuan, four times more than during the period of the Fifth 5-Year Plan. This upgrading and transformation investment accounted for 33 percent of the total investment in fixed assets, compared with 15 percent for the Fifth 5-Year Plan period. Due to the investment made in capital construction and in technological upgrading and transformation, the amount of fixed assets of industrial enterprises increased by 4.6 billion yuan. This additional value was equivalent to 68 percent of the original amount of fixed assets of state-owned industrial enterprises in our province at the end of 1980. Meanwhile, remarkable improvement was noted in the technological level of a number of trades and enterprises.

Financial revenue increased annually and reached 6 billion yuan in 1985. During the 5 years, the average annual increase was 600 million yuan. This not only boosted our province's economic strength but also contributed to the fundamental improvement of the financial and economic situation in our country. As for expenditures, the total for the 5 years was 12.4 billion yuan. Expenditure for agriculture was 1.4 billion yuan, accounting for 11 percent of the total amount of expenditure, and operating expenses for science, education, cultural, and public health undertakings were 3.7 billion yuan, accounting for 29 percent. In the 5 years, subsidies given to people for daily needs, including in the form of grain, cooking oil, meat, and eggs, totaled approximately 4 billion yuan.

Relatively big progress was made in our scientific, technological, educational, cultural, and public health undertakings. In the 5 years, successful results were achieved in 3,329 scientific research projects. Of the scientific research projects receiving awards in the first 4 years, 25 won state invention awards and 40 won state advanced-technology awards. Moreover, the wide application of scientific and technological achievements and the development of a mass technological innovation campaign produced fairly good economic results and social benefits. Spending for education was 2.1 billion yuan, double the amount for the Fifth 5-Year

plan. The number of institutions of higher education increased from 22 to 35, and 51,300 people graduated from such institutions in the 5 years, or 2.37 times more than the number of graduates during the Fifth 5-Year Plan. Preliminary adjustment was made in the secondary educational structure, while rapid progress was made in developing vocational and technical education. Primary education was popularized in 71 counties (districts) and cities of our province. Various forms of adult education developed on a wide scale. The quality of school education was further raised, and conditions for running schools improved step by step. Literary and art works and the performing arts all showed improvement in quality and produced outstanding results which were well received by the people. New achievements were made in broadcasting, film, television, press, and publication work. Mass athletic activities developed further. A total of 406 gold medals were won in international and domestic sports contests. Conditions for public health and medical work improved gradually, and new progress was made in controlling endemic diseases. One-third of the rural population had access to running water. Family planning work achieved remarkable results. As of 1985, the province's natural population growth rate had declined to 6.56 per 1,000.

A good start has been made in opening to the outside world. During the Sixth 5-Year Plan period, we imported 585 pieces of technology and equipment, worth \$300 million, and 72 Chinese-foreign joint ventures and cooperative enterprises registered with the provincial administration of industry and commerce. We made new progress in foreign trade. In 1985 alone, the province's export trade volume reached \$940 million, over-fulfilling the target of the Sixth 5-Year Plan by 42 percent. We also greatly developed tourism. During the Sixth 5-Year Plan period, foreigners, overseas Chinese, and Hong Kong and Macao compatriots who visited Zhejiang increased by more than 200 percent compared with the Fifth 5-Year Plan period, and our foreign exchange earnings from tourism exceeded \$80 million.

Both our urban and rural markets were prosperous and brisk. In 1985, commodity retail sales in the province amounted to 19.7 billion yuan, more than double the 1980 amount, and the value of commodities purchased by state commerce and supply and marketing cooperatives increased by 52 percent over 1980. There were 630,000 individual craftsmen's and traders' households in the province in 1985, 19 times the number in 1980. Country fairs were held in urban and rural areas across the province, with trade transactions amounting to 4.4 billion yuan in 1985, up 260 percent from 1980.

With the development of production, the people's living standards improved remarkably; the improvement during the Sixth 5-Year Plan period was the biggest since the founding of the People's Republic. A sample survey of urban worker and staff households showed an average per-capita income of 839 yuan in 1985, a 9-percent average annual increase of income over the past 5 years (after allowing for the rise in commodity prices). The per-capita net income of peasants in 1985 was 548 yuan, with income increasing at an average annual rate of 17.7 percent over the past 5 years. New houses completed during the 5 years totaled some 23 million square

meters of floor space in urban areas, and 160 million square meters in rural areas. Housing for both urban and rural people improved. During the 5 years, jobs were given to 560,000 people in urban areas, and improvement was made in the longstanding situation in which it was difficult for urban youth to find jobs.

During the Sixth 5-Year Plan period, we stepped up the building of socialist spiritual civilization while paying attention to building material civilization. In addition to actively developing culture and education, we strengthened and improved ideological and political work. We comprehensively publicized the line, principles, and policies laid down since the 3d Plenary Session of the 11th CPC Central Committee. We resolutely repudiated the erroneous theory and practice of "taking class struggle as the key link," and consolidated and developed the political situation of stability and unity. We firmly shifted the stress of our work to socialist modernizations and energetically advocated the pioneering spirit of reform and development, thus laying the ideological foundation for restructuring the economy and the economic development of both urban and rural areas. The launching of the "five stresses, four points of beauty, and three loves" movement and the campaigns to build civilized units and learn from PLA heroes and model persons brought about new changes in the people's mental attitude. Many advanced persons and advanced units emerged on all fronts and in all professions and trades. We stepped up education in the socialist legal system and popularized legal knowledge. We made remarkable achievements in combatting serious crime, gradually reduced crimes, and noticeably improved public order. We intensified our efforts to combat serious economic crimes. All this created a good social environment for reforms and the four modernizations.

The successful fulfillment of the Sixth 5-Year Plan has laid a good foundation for the implementation of the Seventh 5-Year Plan and firmed our confidence in winning even greater victories. However, we must soberly realize that many shortcomings did exist and certain slipups did happen in our work in the past 5 years. Both our thinking and our work fell short of the rapidly changing situation. In the course of reform, we underestimated possible problems because of our lack of experience. Since we began implementing the policy of opening to the outside world and invigorating the economy we again encountered such problems as over-investment in fixed assets, excessive increases in consumption funds, and sharp rises in commodity price indicators. After we tightened macro-economic control, the practice of demanding uniformity in everything reappeared. As we concentrated our strength on economic construction, we overlooked ideological and political work and the building of spiritual civilization, resulting in many problems, including some serious ones, connected with the cadres' workstyle and the standards of social conduct. There are still many difficulties on the road ahead. Acute shortages in the supply of energy and major raw and semifinished materials and inadequate transportation facilities are still restricting our province's economic development. With the continued reduction in land acreage planted to grain crops, it is difficult maintaining a steady growth in grain production. Industrial enterprises are confronted with new tests amid keen competition

for markets. Serious shortage of competent personnel, in particular competent economic management personnel, is limiting our efforts to develop the economy and raise our economic efficiency. Moreover, economic development in various parts of the province is quite uneven. In some mountainous areas, the poor and backward state has not been radically changed, and the food and clothing problems for a few people have yet to be resolved. With regard to these difficulties and problems existing in the course of our advance, we should not exaggerate them because to do so would produce an adverse effect on our confidence to make progress; nor should we take them so lightly as to adversely affect the healthy development of our reform and construction. We must take a serious attitude in summing up experience, work conscientiously, and rely on the concerted efforts of the people in the entire province to overcome the difficulties ahead of us, to further develop our excellent situation, and to do an even better job in fulfilling the tasks of the Seventh 5-Year Plan than in the Sixth 5-Year Plan.

What should we learn from our experience in carrying out the Sixth 5-Year Plan?

/1. Insist on reform, make in-depth reform, and use reform to spur on economic and social development./

During the Sixth 5-Year Plan, we gradually developed reform work in various areas as arranged by the party Central Committee and the State Council. Economic structural reform began in rural areas. We changed the method of pooling labor to do collective work and the system of centralized distribution; instead, we widely popularized a system of contracted responsibilities based on the household with remuneration linked to output. We changed the unified and fixed purchase system for farm and sideline products, readjusted the rural production structure, and went all out to develop diversified operations and village and town enterprises without overlooking grain production. As a result, the rural commodity economy developed quickly, a large amount of surplus labor was put to use, and the broad masses of peasants embarked on the road of getting rich through industrious work. This major breakthrough in rural reform greatly encouraged us to proceed with urban reform. During the last 2 years, we thoroughly implemented the State Council's "Provisional Regulations on Further Expanding the Decisionmaking Power of State-Owned Industrial Enterprises" and formulated policies and regulations aimed at accelerating the development of urban collective industries and village and town enterprises. In this way we changed the previous management system characterized by excessive centralization and overly rigid control and gave greater authority to enterprises to make their own decisions. Afterwards, we took a giant step in reforming the price and wage system. This brought about an unprecedented vigorous climate for production, commodity circulation, and other economic work in both cities and the countryside. Most enterprises gradually increased their vitality. In particular, the rapid development of collective enterprises and household enterprises, including those established jointly by several households, was beyond our expectations. With regard to opening to the outside world, we began to change the previous seclusion or semiseclusion and switched to an open-type economy by introducing investment from abroad and

establishing lateral ties at home. Our foreign trade continued to increase while our economic and technical cooperation with foreign countries and our international exchanges in the fields of science, technology, and culture became increasingly vigorous. New progress was also made in promoting economic and technical cooperation between our province and other provinces and municipalities; such cooperation started with the supply of materials and gradually developed into multilayer, multichannel, and diversified economic and technical cooperation and association, contributing to our province's accelerated economic construction. In addition, we made new attempts to reform our scientific and technological work and education systems and obtained some fresh experiences in these fields. Practice during the Sixth 5-Year Plan has made us aware that reform is a motive force for production and construction in all fields, and that our province's rather fast economic development during that period can indeed be attributed to reform. But, we must be more farsighted and realize the far-reaching importance of reform in our work of building socialism with Chinese characteristics in the next 30 or even 50 years. Since reform in the past 5 years has produced such remarkable results, persistence in continuing reform is bound to bring about a new situation of socialist modernization in our country characterized by even greater prosperity and affluence.

A review of the course we traversed during the Sixth 5-Year Plan shows that our understanding of reform has, in fact, been heightened step by step in the course of practice. At the inception of rural reform, some of our comrades lacked adequate understanding of and were skeptical about the system of contracted responsibilities based on the household with remuneration linked to output. After more than 2 years of practical work in this regard, our comrades' understanding has become relatively unanimous. While carrying out reform in urban areas, especially after the commencement of price and wage reforms, the problem of inadequate understanding has again appeared among some comrades. On the other hand, we are not foresighted enough to predict the new problems and contradictions that may crop up. This state of affairs is not surprising, but the important problem is that we are not mentally prepared enough to face the difficulties and complexities of reform. Reform is a great cause that no one else practically pursued in the past; it also involves a certain degree of risk. There is neither a ready example to follow nor mature experience to copy. All that we can do is to strive to practice, gain understanding, sum up our own experience, and explore ways to advance under the guidance of fundamental Marxist principles. In particular, under the complicated circumstances where the old and new system coexist and affect each other, some unlawful elements may take the opportunity provided by reform to carry out criminal activities, and certain unhealthy trends may grow if we do not do enough to strengthen our leadership and formulate systems and laws to cope with the new situation. How shall we solve the problems we encounter in our course of advance? Shall we insist on reform and continue to explore new ways to advance, or go back to the old road? Obviously, by retrogressing, we will not be able to find a way out. Only through intensive reform can we find solutions to these problems and create favorable conditions

for replacing the old system with the new. We must see the prospects of reform and be mentally prepared to face the difficulties and complexities of reform. Certainly, reform will rejuvenate China and make our country strong and our people affluent, but it is a process that involves hard work. Reform cannot be smooth sailing, nor will every step we take toward reform really benefit everyone. We must properly handle the relationship between the interests of the whole and those of the part and between long-term and immediate interests. We must take a correct attitude toward reform, energetically support it, and unswervingly plunge into this work.

/2. Persist in proceeding from reality, bring into full play our strong points, sidestep our shortcomings, and take the road of economic development in conformity with the situation in our province./

Let us look into our province's economic structure. In industry, the major trades are the manufacture of light industrial products and textiles. Most enterprises are small and collective enterprises, and the vast majority of their products are people's daily necessities. Some high-quality products have a good market at home or abroad and enjoy a fairly good reputation. On the other hand, energy resources, raw and semifinished materials, and transportation facilities are rather inadequate. As for agriculture, the yield per unit area is rather high and diversified operations are relatively developed. However, the problem is that there are many people while farmland acreage is limited. Also, many mountain and marine resources have yet to be exploited. During the Sixth 5-Year Plan, we paid attention to exploiting the strong points of our light industry and our small and collective enterprises as well as of the diversified operations in rural areas. This had a great positive effect on enlivening our economy and developing commodity production. Take industry for example, light industry and small and collective enterprises, because of their flexible operations, can utilize two favorable conditions available in our province--the relatively abundant supply of farm produce, which is a source for raw materials, and the vast labor force. For this reason, in implementing the principle of "readjustment, restructuring, consolidation, and improvement," we have put the development of light and textile industries to the fore and carried out the guideline of "six priorities" in appropriating funds and in supplying energy as well as raw and semifinished materials to these industries. In the meantime, a series of measures have been taken to give active support to the development of neighborhood industries in urban areas as well as of village and town industries. At present, the output value of collective industries exceeds that of state-operated industries in the province. Economic development of such cities and counties as Shaoxing, Yinxian, Xiaoshan, Yuyao, and Haining has been faster than that of others because they are giving full play to the superiority of rural industries. Considering local economic conditions, Wenzhou City has made great efforts to develop household industry, partnership household enterprises, and all kinds of small commodity markets, and has initially created large markets for small commodities. While giving full play to our strong points, we have also taken into account our shortage of energy resources and raw and processed materials and the strained transport situation, and started

a number of key construction projects in accordance with the state plan, such as a berth for 100,000-metric-ton ships and a harbor railroad at Beilun harbor, the urea plant of the Zhenhai petrochemical general plant, the Zhejiang polyester plant, the Taizhou power plant, and the Zhenhai power plant. These projects, after having been completed and put into operation, will be of great significance to Zhejiang's economic development.

Giving full play to strong points, making up for weaknesses, and gradually readjusting the production structure is a long and arduous task. Faced with intense market competition, if our enterprises, particularly town and village enterprises, fail to speed technological transformation, improve management, improve product quality, reduce consumption, and actively train qualified personnel, our strong points in light industry and in small and collective enterprises will weaken and become unable to meet the changing situation. We have built some energy, communications, and raw and processed materials industry projects, but the strained situation in these areas has still not fundamentally improved and it is necessary to make greater efforts. At the same time, we should also make great efforts to strengthen our building industry, commerce, transport, service trades, and tertiary industry to further rationalize the production structure and ensure steady and balanced economic development.

/3. Maintain steady growth so that better economic results will be achieved./

During the Sixth 5-Year Plan, our province's total industrial and agricultural output value increased at an average annual rate of 17.8 percent. In 1985, the increase exceeded 30 percent. The increase resulted from many positive factors. For instance, the economic structure reform aroused the initiative and creativity of enterprises and the masses, technological transformation projects undertaken several years ago gradually yielded effects, and some new projects were completed and put into operation. However, the increase was also due to some special and abnormal factors, such as stimulation by overinvestment in fixed assets and a sharp increase in imported raw and processed materials and assemblies. These abnormal factors adversely affected the macroeconomic balance. Some enterprises and localities blindly vied with each other to expand the scope of capital construction and increase consumption funds, and caused strains in communications, a shortage of energy, raw and processed materials, and funds, and a sharp rise in commodity prices. We must remember this lesson.

Economic development must be kept at a proper speed. Proper economic growth is needed to enhance our national strength and improve the people's living standards. A stagnant economy will adversely affect market supply, revenues, and the development of science and technology, education, culture, public health, and other social undertakings. However, if we blindly seek a high growth rate and expand the scope of capital construction without regard to objective conditions and the capabilities of the state and society, strains will result. In such a case, the high growth rate will not last long. Sharp increases or decreases in growth are extremely harmful to economic development. Therefore, we must clearly understand

that what we need is economic growth achieved through improving management, accelerating technological transformation, tapping potentials, and improving economic results. Economic growth achieved in this manner is real and highly beneficial; it is the proper kind of growth, the kind we are after. For this reason, we should not blindly seek a high growth rate when the situation is good. Nor should we hesitate to press forward and slacken our efforts when the going is tough. In dealing with the growth rate issue, we must assume the scientific attitude of seeking truth from facts, fully consider our needs and capabilities, and seriously study objective conditions and the subjective factor of effort. The objective conditions include such essential elements as energy, materials, funds, and transport. The subjective factor of effort means human initiative and creativity, including efforts to improve management and quality, reduce consumption, reduce waste, and increase labor productivity. When objective conditions permit, we should display our subjective initiative to the maximum extent, bring into play the initiative and creativity of dealers and producers, and ensure a proper and steady economic growth rate.

/3. Persist in putting scientific and technological progress and education development in important strategic positions; coordinate development of scientific, technological, and educational undertakings with economic construction; and beef up the reserve force for the four modernizations./

During the Sixth 5-Year Plan, while attaching great importance to economic construction, provincial leaders at all levels became more and more aware of the importance of scientific and technological progress and intellectual resources development to economic construction and began to establish the concept that economic construction must rely on scientific and technological progress and education development. First, they broke free from the outworn concept of despising knowledge and looking down on intellectuals, seriously implemented the policy toward intellectuals, and succeeded in recruiting and employing a large number of talented people of real ability and learning, including capable persons who, although without college diplomas, are really capable in practice. Second, many economic departments and enterprises cooperated with scientific research and education units both inside and outside the province in integrating production with scientific research and education. They made joint efforts to serve economic construction by employing advisers, making technological transfers, providing periodic consultations, and adopting other ways and means. Governments at all levels, urban and rural enterprises, and various social circles all lent support to education and helped schools solve practical problems and improve teaching conditions. Comrades in the scientific, technological, and education departments also came to realize from practice that education, science, and technology must meet the needs of economic construction and social development and contribute to the four modernizations.

We must also realize, however, that our current science, technology, and education are still relatively backward and unable to meet the needs of economic construction and social development. In science and technology, our efforts are scattered, scientific research work is at a low level and being duplicated, and scientific and technological achievements

cannot be translated promptly into production results. In education, we have lopsidedly chased after a high rate of students passing entrance examinations and entering schools of higher level, a large part of the education funds are spent on personnel expenditures, the schools lack funds for improvement, the educational and professional levels of some of the teachers are low, and the quality of students they have trained fails to meet the requirement of national construction. Therefore, we must have a sense of urgency in accelerating the development of science, technology, and education. We must actively promote structural reform in scientific, technological, and education departments and solve some problems in a down-to-earth way, thereby providing economic and social development under the Seventh 5-Year Plan with a still stronger reserve force.

II. The Basic Mission and Major Tasks of Economic Construction Under the Seventh 5-Year Plan

The Seventh 5-Year Plan serves as a link between the past and the future. Success in these 5 years is of great significance in consolidating and exploiting the new situation opened up during the Fifth 5-Year Plan and in laying a good foundation for economic revitalization in the 1990's and fulfillment of our strategic goals by the end of this century.

In compliance with the general requirement of building socialism with Chinese characteristics and the basic principle of invigorating the domestic economy and opening to the outside world, and in accordance with the National Seventh 5-Year Plan and Premier Zhao Ziyang's report on the Seventh 5-Year Plan, the general guiding principles for our province's Seventh 5-Year Plan are: To promote reform and development with more reform and development, to bring into full play our economic strong points, to ensure the construction of key projects, to improve the industrial structure, to strengthen the agricultural base, to accelerate scientific and technological progress and intellectual resources development, to raise economic results, to beef up the economic reserve force, to continue improving the livelihood of both urban and rural residents, and to promote socialist spiritual construction.

We have established this guiding principle mainly in consideration of the new circumstances and needs confronting us during the Seventh 5-Year Plan. These circumstances and needs are: First, the Seventh 5-Year Plan marks a period of full-scale reform of our economic structure. During this period, we must make further efforts to bring the various economic sectors into balance and put the new economic system in a dominant position. Basically, we should lay the foundation for a new socialist economic structure with Chinese characteristics. Second, the state-sponsored key construction projects to be built in our province during the Seventh 5-Year Plan period are of an unprecedented scale as far as projects in our province are concerned. To exploit the favorable conditions of our province's coastal ports, the state has decided to make a large amount of investment in our province even under the present circumstances when the scale of investment in fixed assets still has to be controlled. This means that an added responsibility has been placed on

our province in developing the national economy. We should take it as one of our major tasks to have these key construction projects completed successfully. Third, the Seventh 5-Year Plan not only calls for construction work on a larger scale, but also requires that our production structure be further improved and our economic efficiency and technological competence be raised to a new level. Under these circumstances, we should step up our efforts to develop energy and other basic industries, actively explore new production undertakings, speed up technological upgrading, and improve operations and management while continuing to give full play to the strong points of our diversified rural economy and our light industry and small and collective enterprises. At the same time, we should continue attaching strategic importance to the development of science, technology, and education. Fourth, based on the experience gained during the Sixth 5-Year Plan, we should continually uphold the principle of "grasping with two hands" and strengthen ideological and political work and the building of the democratic and legal systems in order to ensure the smooth progress of reform and economic construction during the Seventh 5-Year Plan. We should not only continue to improve the people's material life but also take further steps to enrich their cultural life, consolidate and develop the political situation characterized by stability and unity and vigor and vitality, and push the work of building a socialist spiritual civilization to a new high.

Our main tasks and targets for economic and social development during the Seventh 5-Year Plan are as follows:

1. We should give priority to reform, make reform and construction suit and promote each other, and have the old economic structure by and large replaced by a new one.
2. While improving economic efficiency as a prerequisite, we should bring the gross value of our industrial and agricultural production to 100 billion yuan by the year 1990, representing an average annual growth rate of 8 percent. The gross domestic product should be raised to 58 billion yuan, averaging 1,365 yuan per capita. Both of these categories will be making a more than twofold increase over the 1980 figures. Financial revenue should reach 8.5 billion yuan, and expenditure 5.2 billion yuan, an average increase of 7 percent per annum.
3. While energetically stepping up the technological transformation of our present enterprises, we should concentrate our efforts on key construction projects and see to it that development of agriculture and the processing industry is coordinated fairly well with the development of energy resources, transportation, the raw and semifinished materials industry, and other basic industries as well as with infrastructural construction. Moreover, there should be a conspicuous increase in our economic strength.
4. We should further boost our capabilities of opening to the outside world and earning foreign exchange through exports. By 1990, our foreign exchange earnings through exports should reach \$1.4 billion. In addition,

we should see to it that opening of the coastal areas to the outside world helps develop the interior, and that their lateral economic ties are strengthened to a great extent.

5. We should continue to energetically develop efforts in science, technology, and education. Emphasis should be placed on solving 35 key problems in science and technology and promoting the application of 50 new technologies. Basically, in the part of our province where inhabitants account for three quarters of our population, the 9-year compulsory education system should be put into effect. In addition, 140,000 people should be given college education.

6. Further efforts should be made to improve the people's living standards. The actual consumption level of both urban and rural people should be raised by about 25 percent. The natural population growth rate should be controlled at a level below 10 per 1,000.

7. We should further improve the socialist democratic and legal systems and effect a fundamental turn for the better in standards of social conduct and social order.

In view of the demands in our province's Seventh 5-Year Plan, emphasis should be put on the following main tasks in economic construction:

/1. Continue to strengthen agriculture as the foundation of the economy and further promote the all-round development of the rural economy./

During the Seventh 5-Year Plan, economic construction will be carried out on a large scale, all undertakings will be further developed, and our population will gradually increase. All these necessitate a new stage of agricultural development. At the moment, our agriculture still lacks a sound foundation. There are many factors restricting the further development of our agriculture. Examples are: the bad condition of a number of irrigation works, the reduced acreage of arable land, the loss of land fertility, the lack of new breakthroughs in agricultural science and technology, and the dwindling enthusiasm on the part of some peasants for farm work, especially for growing grain crops. Governments at all levels should make a serious effort to strengthen their leadership over agriculture, while people of all walks of life should take it as their major task to support agriculture. They should really regard agriculture as the foundation of our economy and strengthen it in all conceivable ways. Besides making continued efforts to deepen rural reform and implementing the necessary policies to arouse the peasants' initiative, we should orient our efforts in agricultural development from now on toward relying more on science and technology, increasing the funds and materials put into agriculture, and providing better conditions for production. In addition, we should continue to readjust the rural production structure step by step and take the path of comprehensive development, intensive farming and processing, multiple increase in value [duo ci zeng zhi 1122 2945 1073 0237], preservation of the ecological balance, and promotion of self-sustained growth.

Making continued efforts to grasp grain production so as to ensure a steady increase in our grain output remains a task of prime importance in agricultural production for the Seventh 5-Year Plan period. According to the requirements set in the Seventh 5-Year Plan, we should become basically self-sufficient in grain supply and should have suitable varieties of grain. The average annual output should be 4.4 percent higher than under the Sixth 5-Year Plan. By 1990, our grain production should reach 17.5 to 18.5 million metric tons, exceeding the 1985 output by 1.3 to 2.3 million metric tons. When this target is met, the per-capita average is still not very high. Therefore, we should keep the acreage of grain fields stable, highly treasure our arable land, and strictly prohibit the misuse of such land for other purposes. We should continue to keep to the policy of using industry to subsidize agriculture, using sideline production to foster agriculture, and using cash crop cultivation to support grain cultivation. At the same time, we should make every effort to raise the output per unit area of land and continue to adopt measures aimed at transforming low-yield land, opening new commercial grain production centers, and developing high-yield fodder crops.

By stressing grain production, we are by no means going back to the beaten track of only grasping grain. What we need to do is to readjust our production structure in an active yet reliable way and fully implement the principle of "never relaxing grain production and actively developing diversified operations." In readjusting our production structure, we should not change the acreage of our grain fields. The main task in this regard is to explore new ways to promote production other than by changing our arable land. In accordance with the resources available and the economic conditions in various localities, we should make energetic efforts to develop such undertakings as farming using multitiered planting structures in greenhouses, engaging in agriculture for earning foreign exchange, and making farms and plantations double as tourist attractions. At the same time, we should develop secondary and tertiary industries. In developing agriculture, we should take all parts of the province into consideration. This means we should explore and exploit to the full all barren mountains, water areas, beaches, and islands for developing those crop-cultivation, animal-breeding, or aquaculture projects that can utilize local resources to turn out products required by the domestic or international market. It is necessary to continue to readjust the structure of forestry production and speed up its development by combining our weaknesses and strong points and developing forestry in a comprehensive way. Efforts should be made to promote fishery; and, while stabilizing offshore fishing to preserve our resources, we should strive to develop oceangoing fishing as well as seawater and freshwater aquiculture. Intensive processing and comprehensive utilization of farm and subsidiary products for the purpose of multiplying value is an exploitative undertaking with great potential. All agricultural, urban, commercial, and scientific and technological departments should pay close attention to development and research in this undertaking, step up efforts to popularize scientific and technological achievements, and mobilize and organize more scientific and technical personnel to work in the countryside for the

all-round development of the rural economy. Each locality should select a few key products, set up production bases for them, and create a chain services comprising technical guidance, processing and packing, and storage and marketing. At present, supply and marketing cooperatives in some localities have set up service industries, which have brought about closer relations between agriculture and commerce through utilizing and processing farm and subsidiary products and exploiting natural resources, thereby invigorating the cooperatives themselves. It is necessary to actively popularize such experience of supply and marketing cooperatives and strengthen the leadership over them so that they can better serve the development of the commodity economy in rural areas.

Material investment should be increased in both grain production and diversified undertakings. The province, cities, and counties should spend as much funds as possible on agriculture, appropriately increase loans for peasants, and, more importantly, encourage peasants to rely on their own accumulation in expanding agricultural investment, carrying out farmland capital construction, and gradually improving production conditions.

Developing village and town enterprises is the only way to invigorate the rural economy. During the Seventh 5-Year Plan, it is necessary to consolidate and upgrade village and town enterprises in line with the principle of "actively supporting, rationally planning, correctly guiding, and intensifying supervision" with regard to enterprises. By 1990, the total annual output value of village and town enterprises should reach 40 billion yuan, or 40 percent of Zhejiang's gross industrial and agricultural output value, a task that we should not take lightly. To make village and town enterprises more competitive, we should bring into full play their advantages in flexible management and strong adaptability. It is necessary to transform the competitive relationship between city industries and village and town enterprises into one characterized by mutual dependence, assistance, and cooperation to achieve mutual development. City industrial enterprises, scientific research institutions, and schools of higher learning should help village and town enterprises explore production resources, improve product quality, and raise economic efficiency through transferring technology and products, training skilled personnel, providing information, and raising funds. Special efforts should be made to help underdeveloped areas promote village and town enterprises so that local natural resources can be utilized as quickly as possible. In improving production conditions and carrying out the production on an extensive scale, it is necessary to correctly handle the relationship between accumulation and consumption of village and town enterprises and eliminate the practice of dividing up and exhausting accumulated funds and relying on loans to develop production.

Despite rich natural resources, a large number of mountainous areas and a few islands are relatively backward economically and culturally, and a few of them are still quite impoverished. It is necessary to select cadres with strong dedication to transform the backwardness and to send them there to replenish and strengthen the leading bodies of these

localities. To build their capabilities for self-development, it is necessary to adopt realistic policies and measures to introduce advanced management methods, skilled personnel, and technology as well as provide loans to these localities. We should help them exploit their resources by carrying out a number of production projects that need little investment and a short construction period, but are conveniently located and can yield quick economic results, and by developing their transportation, cultural, and educational undertakings. It is necessary to encourage and organize cooperation in various forms between economically advanced and backward areas based on the principle of equality and mutual benefit.

/2. Speeding up Technical Transformation, Improving Business Management, and Raising the Quality of Existing Enterprises./

We will undertake a number of key construction projects in the Seventh 5-Year Plan. However, we should still rely mainly on the existing enterprises if we want to achieve an acceptable economic growth rate and fairly good economic results. Having carried out consolidation and technical transformation in the Sixth 5-Year Plan, the existing industrial enterprises in our province have raised their technical and managerial levels as well as economic results. But on the whole, their quality is still not high, and poor product quality and low economic results are still the fatal weaknesses of most enterprises. In some enterprises the equipment is outdated and it is impossible to upgrade their products to meet the changing demands of the market; while in others, the methods of operation and management are backward, waste is serious, and economic results are poor. Some of these enterprises are incapable of adapting to external changes that might occur, and are incapable of meeting the changing demands. Therefore, all enterprises should give priority to quality and economic results and strive to meet the needs of the market and society. They should encourage workers and staff to act as masters of their own affairs so that each and every worker will be concerned about the enterprise's reputation as well as society's interests. Emphasis should be placed on improving product quality and lowering material and energy consumption while accelerating technical transformation, and emphasis should also be placed on improving business management of enterprises.

In the Seventh 5-Year Plan, 6.5 billion yuan will be used to carry out technical transformation in state-owned enterprises, 45 percent more than the Sixth 5-Year Plan. This is absolutely necessary. The purpose of technical transformation is to improve the quality and performance of our products, provide more designs and varieties, lower material consumption, conserve energy, and produce more readily marketable goods. The emphasis of technical transformation is on the following areas: Increasing the ability of the silk and textile industries to sort out the products after they have gone through the dyeing process; raising the technical levels of the machine-building and electronics industries and enhancing their ability to manufacture auxiliary equipment; increasing the ability of the chemical industry to engage in intensive processing and make comprehensive use of resources; developing the primary raw materials as well as new techniques and methods of packing for the light and food-processing industries; and developing new materials and technologies for

the building materials industry. In light of Zhejiang's practical conditions, we should also vigorously promote knowledge- and labor-intensive industries and products that consume less energy, require less shipping, occupy fewer land areas, and create less pollution. To encourage enterprises to carry out technical transformation, preferential treatment should be offered in taxation, credit and loans, and goods and materials. Technology should be imported in a well-planned and selective manner by taking the purpose and areas of emphasis of technical transformation into consideration. Primarily software and crucial equipment will be imported. These should be thoroughly absorbed and utilized. Importation of ordinary processing equipment should be strictly controlled.

Technical progress and the improvement of managerial skills go hand-in-hand. Without advanced management, the best equipment and technology cannot be fully utilized. In the Seventh 5-Year Plan great efforts should be made to improve and modernize business management in enterprises. Having emphasized enterprise consolidation in the past few years, we should ensure the soundness of leading bodies and the system of production management; perfect the responsibility systems; continue to properly handle standards, metrology, fixed quotas, statistics, and testing work; organize production according to advanced standards at home and abroad; gradually adopt the methods of value engineering, goal and cost management, and comprehensive quality control; and actively train workers, give promotions, create advanced models, and raise the overall quality of enterprises. To encourage enterprises to improve product quality and pay attention to economic results, it is necessary to set the targets for quality, technology, and economic results, in addition to the target for output value. Appropriate policies and measures should be taken accordingly.

Most enterprises not included in the state technical transformation program, village and town enterprises in particular, should make use of their own accumulation and follow Comrade Lu Guanqiu's example in improving enterprise management while spending money to upgrade equipment, train workers, and adopt new techniques to make their products among the best. Governments and departments at all levels should show concern for and support technical transformation in smaller enterprises, and should help solve their practical problems so these enterprises will continue to boost their technical levels and economic results.

All enterprises should give full attention to labor protection and production safety, educate their workers to strictly observe operating procedures, and strive to avoid serious accidents and reduce losses to the people's lives and property.

/3. Build Key Construction Projects Well To Promote Zhejiang's Economic Development./

During the Seventh 5-Year Plan, capital construction investment arranged by the state and province equals about 85 percent of the total investment in all the capital construction projects completed in the past 36 years

since the founding of the People's Republic. During the Seventh 5-Year Plan, the scope of capital construction is large with many key projects requiring advanced technology. Many projects are related and make up comprehensive systems. The plan contains 90 key projects, of which 11 deal with energy, 22 are transport projects, and 6 are postal and telecommunications projects. There are also a number of projects for heavy industry, chemical industry, raw materials of light and textile industries, consumer goods industry, agriculture, scientific and technological education, and social development. The investments in projects for energy, transport, telecommunications, and raw and processed materials industry account for 60 percent of the total investment in state capital construction projects. These many key projects will help improve Zhejiang's economic structure and enhance our reserves for further economic development. However, they will also create strains in manpower and financial and material resources. In this sense, our province's Seventh 5-Year Plan is inspiring and, at the same time, a source of tension. Such tension always exists before a structural contradiction is alleviated. How to bear with and tide over such temporary tension and strive to overcome contradictions and difficulties caused by the tension is a major subject worth our painstaking study. We must strengthen leadership and carefully organize and pool manpower, funds, and materials to ensure smooth progress in key capital construction projects. All key projects should be built under a system of division of labor with individual responsibility according to their scope and affiliation. Building time should be rationally kept to a minimum in order to improve the investment results. We should select and put the best personnel to work at the forefront of construction, just as we did to support the construction of China's 156 key projects in the 1950's. All localities and departments should deem it their glorious duty to support the construction of key projects. The localities where key projects are built should make more contributions, particularly in funds, materials, and logistical support.

The key projects are determined by the state according to the strategic needs of economic development and according to our economic and natural conditions. They are conducive to tapping the potential of the coastal ports of our province. Now, everyone hopes the state will build some key projects in his locality. Such a hope is justified and understandable. However, our country's financial and material capabilities are limited. If we build everything we need at the same time, our financial and material resources will be dispersed, and it will hurt both the provincial and local interests this way. We should know that although the key projects are built in certain places, their benefits will be felt throughout the whole province, and they are in the interests of all the people in the province. Mutual reliance exists between key regions and ordinary regions, between coastal areas and inland areas, and between old industrial districts and new industrial districts. Key regions should on their own accord develop associations with other regions and move some suitable factories to inland regions. The regions not covered by key projects are not in a state of inertia either. They can take the opportunity to develop production of building materials, equipment for key projects, hardware, and nonstaple food according to local conditions,

and can provide construction workers to actively serve in the construction of key projects. In this way they will make contributions in support of the construction of key projects, and at the same time promote local economic development.

The shortage of funds and materials is a conspicuous contradiction of the Seventh 5-Year Plan. In order to solve the contradiction, we must properly use the state investment and rely on local efforts to increase financial and material resources and conserve consumption. We should learn how to accumulate and spend funds. On the one hand, we should raise funds and materials in various ways--such as through encouraging savings deposits, through pooling resources to run power plants and raw and processed materials industry, and through acquiring investment from outside the province and from foreign sources. On the other hand, we should continue to control the scope of local investment in capital construction, seriously examine and readjust the projects under construction, rationally use funds and materials, ensure the completion of key projects while taking good care of other projects, do what we are capable of, and stress practical results.

/4. Do a still better job in developing the work in science, technology, and education to serve the needs of economic construction./

During the Seventh 5-Year Plan, we should persistently attach strategic importance to making advances in science and technology and developing intellectual resources and see to it that new progress and improvement are made in our work in science, technology, and education, not only in quantity but also in quality, so as to meet the needs of economic construction.

There are many tasks to be done in the field of science and technology. During the Seventh 5-Year Plan, we should, in particular, give attention to broadening the application of fruitful results we have achieved in scientific and technological research and making joint efforts to solve key problems in science and technology. From among the fruitful results we have achieved in scientific and technological research, we should select those that can produce quick and great benefits and apply them to production as soon as possible by processing them through the science and technology market or integrating scientific research and production. This should include the application of new technologies in transforming traditional industries, and is intended to have the achievements of science and technology quickly translated into productive forces. Serious efforts should be made to carry out the "Spark Plan" projects sponsored by the state and by our province. Meanwhile, scientific and technological research personnel from all quarters should be organized to work together on key projects concerning our province's economic construction and social development. In natural science, emphasis should be put on making joint efforts to solve the 35 key problems that have a significant bearing on our province's development, such as the development of the Ningbo deepwater port, new techniques for breeding and cultivating staple crops, new silk products, and application of bioengineering to agriculture, industry,

and medicine. Apart from this, continued efforts should be made to strengthen basic research. Insofar as our capabilities permit, we should also embark on new- and high-technology research and try to achieve some results in this respect.

Social science research should be geared to the needs of reform and the four modernizations. By actively applying the basic principles of Marxism, we should boldly probe and study in depth the major theoretical and practical questions encountered in socialist modernization, especially important issues concerning our economic structural reform and strategies for our economic, scientific, technological, and social development, so as to serve the needs of leaderships at all levels and of all departments in making policy decisions.

Advances in science and technology and development of intellectual resources depend on education as the foundation. Our province has decided to earmark 4 billion yuan for education during the Seventh 5-Year Plan. This is 90 percent more than the amount for the Sixth 5-Year Plan. Governments at all levels and their education departments should use this money properly so as to achieve the intended beneficial results. It is necessary, if at all possible, to appropriate some funds to support the education work in mountainous areas, on off-shore islands, and in other places faced with economic difficulties, give them assistance in creating better conditions for running schools, and help them train teachers or send some teachers to work in their place. At the same time, members of democratic parties and people of all communities should be encouraged to establish various kinds of schools as a way to contribute more to the development of education. We should seriously implement the "Law of Compulsory Education of the People's Republic of China," attach great importance to the education of teachers, enlarge their contingent, raise their quality, carry forward the social mood of respecting teachers and paying attention to education, and create necessary conditions for popularizing the 9-year compulsory education system. Importance should also be attached to kindergarten education. Active efforts should be made to develop secondary vocational and technical education. In this regard, we should put emphasis on spending more efforts to improve quality, overcome the idea of despising vocational and technical education, and further implement the policy of training people before hiring them. In higher education, we should concentrate our efforts on consolidating, improving, and building support facilities for existing colleges and universities, and in general not build new schools of higher learning. It is necessary to systematically readjust the level and mix of specialities of existing colleges and universities, and lay special emphasis on developing specialities of practical use, such as finance and economics, management, medicine and pharmacy, political and legal sciences, and tourism, which are in great demand. Efforts should be made to actively promote adult education in various forms, mainly sparetime adult education. Satellite TV education should be considerably expanded. In adult education, we should focus attention on strengthening political and technical training of workers and staffs, and refrain from placing undue emphasis on getting a diploma. In order to gear ourselves to meeting the needs

of modernization, schools of all types and at all levels should improve their teaching programs and methods, give top priority to raising teaching quality and training qualified personnel, and overcome the gap between the training of personnel and the needs of the modernization drive as a result of overemphasizing the importance of having a larger proportion of students going to higher-level schools.

/5. Do a better job in opening to the outside world, and build up the capabilities to earn more foreign exchange through exports./

During the Seventh 5-Year Plan, the coastal open cities and areas should do a better job in opening to the outside world in line with the arrangements and demands made by the State Council. In view of its large-scale development, Ningbo City should earnestly carry out the planned construction projects, strive to build more technology-intensive projects to produce mainly export commodities or commodities that may substitute for imports, and combine the development of the new city area with the transformation of the old one. Wenzhou City should give top priority to water and air transport, step up infrastructural construction, and improve the investment environment. Hangzhou City should make maximum use of its tourism by building more tourist facilities and developing some high-grade electrical and mechanical engineering products and consumer goods for daily use, thereby bringing into play its role as a "window" for economic and technical exchanges with foreign countries. Jiaxing and Huzhou cities should intensify technological transformation of existing enterprises and construction of export commodity bases in accordance with the demand to promote export trade. All open cities and areas should, for the purpose of increasing exports and earning more foreign exchange, expand economic, trade, and technical exchanges with foreign countries, and make positive use of foreign capital to import technology. They should also earnestly improve import work, use their foreign exchange earnings rationally, concentrate on using imported capital, technology, and equipment to upgrade existing enterprises technologically and on building up the capability to earn more foreign exchange through exports, and do everything possible to increase the economic yield of foreign capital.

The key to further opening to the outside world is to increase exports and earn more foreign exchange. In view of Zhejiang's large variety of export commodities and great potential, we should strive to greatly increase our foreign trade during the Seventh 5-Year Plan. According to the plan, Zhejiang should increase its foreign exchange earnings at an average of 11.7 percent annually in comparable terms. To achieve this target, we should focus our attention on the work in the following three fields: First, it is necessary to do our utmost to earn more foreign exchange by exporting quality goods and boosting their ability to compete on the international market. We should strive to improve the export commodities mix and, while continuing to promote exports of traditional farm and sideline products, develop new export products on the basis of international market demands. We should also actively increase the proportion of manufactured goods among export commodities, especially the proportion of electrical and mechanical engineering equipment,

electronic devices, and nonmetallic products. Second, it is necessary to combine foreign trade with increased production in industry and agriculture and introduction of new technology by gradually setting up export commodity bases and special plants and workshops of various kinds and specific characteristics to increase the production of export commodities. It is necessary to implement policies and provide incentives to encourage the production of export commodities and actually benefit workers and staffs of enterprises that earn more foreign exchange by increasing exports. Third, it is necessary to improve the management of foreign trade and actively explore the international market. We should devote more time and energy on studying and surveying the international market, familiarize ourselves with the changing demands of the international market, do good publicity work for our export commodities, and expand the export commodity marketing network. We should raise the professional competence of our foreign trade personnel, improve management and operations, keep our promises, and provide good services. Moreover, it is necessary to take advantage of our large number of skilled workers to contract for more construction and installation projects and increase our labor service exports to foreign countries.

Developing tourism is an important way to promote economic, technical, and cultural exchanges with foreign countries, as well as an important source of foreign exchange. We should strive to receive more than 500,000 foreign tourists by the year 1990, 83 percent more than in 1985, and to earn U.S.\$50 million from tourism, doubling the 1985 figure. With Hangzhou as the center, we should strive to link up the tourist routes in eastern, western, and southern Zhejiang. Tourism should be promoted as a comprehensive and important industry. We should conscientiously formulate plans to develop tourist attractions, protect scenic spots and cultural relics, build tourist facilities, produce tourist souvenirs, and improve quality of service. By promoting tourism, we should be able to boost the development of the catering services, transportation, arts and crafts, cultural performances, and entertainment.

/6. Continue To Improve the People's Livelihood on the Basis of Increased Production./

To constantly improve the people's material and cultural lives is a fundamental goal of socialist production, as well as an important task for the people's governments at all levels. The Seventh 5-Year Plan requires that the annual per capita net income of peasants in Zhejiang increase by about 7 percent, and the per capita wage of workers by about 5 percent. Improvement in the people's living standards should be based on an increase in production. It should conform to the realities of our nation and fall within our capabilities. Unilateral stress on production and construction, to the neglect of an improvement in the people's livelihood, will not work. However, if the increase in consumption is faster than that in production and labor productivity, resulting in excessive consumption [chao qian xiao fei 6389 0467 3194 6316], this would not work either. It is necessary to correctly guide the people in urban and rural areas in satisfying their needs and, in consumption in

their daily lives, continue to develop the fine tradition of "waging a hard struggle and building the nation through diligence and frugality." In matters related to food, clothing, utilities, and housing, we should take China's conditions into consideration. We should refrain from publicizing the impractical view of high-level consumption. Consumption funds should be distributed in accordance with the principle of "to each according to his work" in order to overcome egalitarianism. Efforts should be made to avoid wide discrepancies among enterprises, and members of society.

It is necessary to establish and perfect the social security system. The comprehensive plan for old-age pensions should first be tried out in collective-run enterprises in urban and rural areas. In cities where conditions permit, this plan can also be tried out in state-run enterprises. We should continue to give special care to disabled servicemen, as well as family members of revolutionary martyrs and servicemen, do relief work, and promote other social welfare programs.

It is necessary to strengthen city construction, systematically improve traffic and housing conditions, and speed up construction of cultural, public health, and sports facilities, as well as commercial establishments, to constantly improve the people's livelihood.

Practicing planned parenthood, protecting land resources, and improving ecological environment is a basic national policy which should be implemented for a long time to come. In the Seventh 5-Year Plan, Zhejiang will reach the peak of marriage and childbirth. To fulfill the population control plan is an arduous task, which should never be relaxed. We should continue to encourage late marriages, popularize eugenics and improved child-rearing methods, urge married couples to have only one child and strictly forbid unplanned and multiple births. Land management should be strengthened in accordance with the law. Land for nonagricultural use should be earnestly investigated and analyzed. Resolute efforts should be made to stop unscrupulous occupation and misuse of arable land, as well as other illegal practices. Protection of forest, mineral, and water resources should be improved. Environmental protection should be expanded, old pollutants eliminated, and new ones strictly controlled, so that economic and social development develop hand in hand with population growth, land resources, and ecological balance.

III. Continue To Conduct Intensive and Systematic Economic Restructuring

To realize our province's grand goal for the Seventh 5-Year Plan period, the key task is to continue and intensify the various reforms--especially to smoothly resolve new problems arising during the period when the old economic system is being replaced by the new one.

The aim of the economic restructuring during the Seventh 5-Year Plan period is to step-by-step effect the transition from the old system to the new one and lay a good foundation for establishing a socialist economic system that meets the development needs of a planned commodity economy, has

Chinese characteristics, and is full of vigor and vitality. There are three major tasks involved in this economic restructuring. The first task is to make further efforts to increase the vitality of enterprises, in particular the state-run large and medium-sized ones, and enable them to become comparatively independent economic entities and socialist commodity producers and sellers, doing their business independently and being responsible for their own losses or profits. The second task is to further develop the socialist commodity markets and gradually establish the market system. The third task is to gradually change the state's largely direct control over enterprises into largely indirect control and establish a new socialist macroeconomic management system. These three tasks are mutually related and constitute an organic whole. The pivotal task in urban reform is to invigorate enterprises. Only when enterprises are vigorous is the entire society vigorous. The aim of reforming the market system is to provide enterprises with an external economic environment which both stimulates and motivates. On the other hand, the aim of the state's macroeconomic management reform is to ensure that enterprises' economic activities meet the requirements for development of the macroeconomy even more fully. The new economic system can assume the dominant position only when the reform in these three aspects has been meticulously accomplished.

In accordance with the principle of "consolidation, assimilation, replenishment, and improvement" issued by the party Central Committee and the State Council regarding the reform this year, the major task in 1986 is to mainly consolidate and assimilate the achievements already made, retain what is advantageous, and discard what is disadvantageous, and, through replenishment and improvement, gradually make all reform measures complement each other in order to create the conditions for larger-scale reforms in the next 2 years.

The major task in this year's economic restructuring is to make further efforts to increase the vitality of enterprises--particularly the state-run large and medium-sized ones. All enterprises must understand that as reform is being intensified, their own responsibilities will become heavier. They must properly exercise the self-decision power, perfect the system of responsibility for plant directors (managers), constantly improve their management, firmly establish the economic responsibility system, and make still greater contributions to the state and people by improving enterprises' quality and satisfying the demands of the market and the society. Governments and departments concerned at all levels must continue to implement the related policies and regulations formulated by the State Council and provincial government, further simplify their administration, delegate power to enterprises, and create good external conditions for invigorating enterprises. Screening must be continued for all the "four-no" companies--"centers" which have no capital of their own, no regular employees, no fixed business site, and no regular, categorized business. All unnecessary and obstructive intermediate links must be abolished. In accordance with state regulations, regulation taxes should be reduced or exempted for some enterprises and the depreciation rate of equipment should be

increased in order to enhance enterprises' ability to transform themselves and develop on their own.

Another important task in this year's economic restructuring is to greatly develop lateral economic associations. Such associations not only yield results and generate productive power, but are also of tremendous significance to urban and rural reforms. They will break through departmental and regional obstructions and gradually create trans-departmental and trans-regional associations, which are an objective necessity in developing of the socialist commodity economy. Lateral associations must support enterprises' independent decision-making power and adhere to the principle of voluntary participation and mutual benefit. Departments in charge and corporations must enthusiastically support their subordinate enterprises to develop lateral associations and must not infringe upon their decision-making power. Associations may be multifarious in form. Associations should be encouraged between raw and semifinished materials-producing centers and processing enterprises, between production enterprises and research, educational units, between civilian and military enterprises, between industrial, agricultural, commercial, and trade enterprises, and between enterprises of different ownership, such as state-run and collective enterprises. At present, it is necessary to energetically encourage institutions and enterprises to join efforts to develop energy sources, transportation, and production of raw and semifinished materials, export products, and daily-use consumer goods currently in short supply. Governments and departments at all levels must firmly implement the State Council's "Regulations on Some Problems in Further Promoting Lateral Economic Association," encourage such associations in policies on funds, taxes, supply of raw and semifinished materials, and commodity marketing, and protect such associations by law. No department or region should place obstacles to association between enterprises because of its own interests. Enthusiastic support should be given to new enterprises and groups of enterprises emerging from associations, and assistance should be rendered to experimental associations in order to accumulate experiences.

In accordance with the State Council's plan, there will be no drastic commodity price readjustment this year. To maintain a general stability in commodity prices, only minor readjustments will be made in certain prices which are conspicuously irrational. We must intensify market price control; all localities and units must not exceed the bounds of authority and raise prices without permission. State-operated businesses must actively take part in regulating and stabilizing market prices. Business administrative and price departments must exercise more efficient supervision over commodity prices.

In regard to rural reform, we will continue to improve the household-based contract system that links payments to output, and we should continue to promote the contract system so that needed services will be available before, during, and after production. The principal function of the rural cooperative economic organizations is to provide needed services. Through providing information and services in the fields of supply and marketing,

production, scientific and technical know how, and so forth, all government organs and relevant departments should promote agricultural, industrial, commercial and other undertakings. They should support all types of economic and specialized associations and other cooperatives in the rural areas in developing commodity production. The contract system is a good way to integrate commodity production in the rural areas with state plans and market needs, and we should consider popularizing and improving the contract system and stabilizing production-marketing relations an important matter in organizing commodity production in the rural areas. To ensure the smooth progress of rural reform and various other projects, we must attach great importance to establishing grassroots organizations in the rural areas.

Reform in the circulation sphere must continue. We must continue to implement the policy of promoting state, collective, and individual operations, at the same time giving full scope to the leading role played by state-sponsored commercial operations. We should actively experiment with new commercial operations--interregional and interdepartmental operations that integrate industrial, commercial, and agricultural sectors in one way or another--in order to promote production-marketing integration and purchasing-marketing integration among industrial, commercial, and material supply enterprises, and to promote direct, multichannel circulation. We should continue to do a good job in reforming supply and marketing cooperatives and credit unions in order to further stimulate commodity circulation.

Reform of scientific and technological management and the educational system must keep pace with economic reform. In accordance with the needs of economic and social development during the next 5 years, research and educational establishments must correct the situation where research and education are incompatible with economic development. By means of technological transfer, training of proficient personnel, and cooperation in developing new products and new technologies, the research and educational establishments should promote lateral ties with producers. This would allow them to disseminate their advanced technical know-how more effectively, know where to concentrate research efforts and what kind of personnel are needed, and improve their curricula and teaching methods.

The experiences of reform gained in implementing the Sixth 5-Year Plan show that, in addition to properly handling the relationship between reform and construction, we must also properly handle the relationship between intensifying macroeconomic control and stimulating microeconomic activities, and the relationship between destruction and construction in order to ensure smooth progress in economic reform.

Intensifying macroeconomic control and stimulating microeconomic activities are important, indispensable aspects of economic reform that must agree with the requirements of establishing a planned socialist commodity economy. In regard to commodity economy, enterprises must become relatively independent economic entities or socialist commodity producers and traders who are responsible for their own profits or losses, and who must respect the law of value, so that the vitality of microeconomic

activities can be maintained. And in regard to the planned commodity economy, microeconomic activities must be guided by the state plan so that recklessness caused by market regulation can be avoided. Without macroeconomic control, microeconomic activities cannot really be stimulated; even if they have been stimulated, they cannot last. On the other hand, our macroeconomic control would again be too tight and too rigid if it fails to stimulate microeconomic activities. We must flexibly integrate the two. On the microeconomic side, we must promote lateral economic ties with the power delegated by the State Council and government organs at all levels, actively take part in competition, and continue to promote reform within enterprises, in order to arouse their initiative as much as possible. At the same time, we must voluntarily obey macroeconomic control, paying attention to combining immediate, local interests with long-range, overall interests. On the macroeconomic side, we must, on the basis of stimulating microeconomic activities, gradually institute an economic administrative system which emphasizes indirect control. Today we must pay special attention to improving macroeconomic control and provide guidance according to the situation in different regions, industrial sectors, or enterprises. There should be no arbitrary uniformity. All government organs, especially those in charge of economic affairs, must shift the focus of their work from setting targets, approving projects, allocating funds and distributing supplies to making overall plans, upholding policies, coordinating operations, providing services, and exercising economic regulatory means and efficient supervision.

The change of the economic system and structure is a process of eliminating the rigid old structure and setting up a new one which is full of vitality and vigor. In order to guarantee an orderly progress of the reform, we must organically combine construction with destruction, pay more attention to construction and ensure that all measures for reform are mutually reinforcing. During the Seventh 5-Year Plan period, we must lose no time in learning how to administer economic management with indirect control as the principal measure, continuously improve economic regulatory measures, and strengthen economic laws and regulations and economic judicial work. We must use pricing, taxation, credit, interest rates, industrial and commercial administration, auditing, econometrics, and other economic and legal means, in addition to the necessary administrative measures, to control and regulate the economy. Following the changes in administrative functions, the various government organs must gradually carry out reforms and strengthen their economic management and supervision departments. They must adequately simplify and merge their professional departments, and separate governmental functions from business management. Government functionaries at various levels must fully realize the need to facilitate this kind of change. They must work hard to explore ways to carry out the reform, actively offer suggestions, adopt new measures, and continuously improve their work methods and style. In adopting new measures, we must earnestly carry out investigation and study, repeatedly seek proofs, take safe and reliable steps and strive to do a good job in coordinating with each other.

IV. Further Strengthen Socialist Spiritual Civilization

During the Seventh 5-Year Plan period, we must not only take new and firm steps to reform the economic structure and develop the material civilization. We must also exert even greater efforts to develop socialist spiritual civilization, help people raise their cultural qualities and moral standards, and bring about a fundamental change for the better in the social climate.

Our experience in implementing the Sixth 5-Year Plan indicates that in the course of carrying out reform, opening the country to the outside world, and invigorating the domestic economy, it is even more important to strengthen socialist spiritual civilization through our ideological and political work. In order to develop socialist commodity economy, we must respect and make full use of the law of value and attach importance to economic means and economic results. If we ignore this and slacken our efforts in doing ideological and political work, the thought of putting money above all else will prevail in our minds and undermine people's lofty spirit. The reform would inevitably have a tremendous impact on long-established models, traditional concepts, and the force of habits. It would also affect and change the original patterns of economic relations. Reform is also a gradual process. If we do not strengthen our ideological and political work, the measures for reform, no matter how good they are, will also cause misunderstanding and discontent among the people. Some people may also make use of the vacuums which exist while the new system is replacing the old system to make unjustifiable gains for themselves or for their small groups. They may engage in illegal activities such as speculation, profiteering, embezzlement, theft, bribery, swindling, or smuggling. When the country is open to the outside world, "fresh air" will come in. "Flies and mosquitoes" will also come in. If we do not stress the importance of ideological and political work, the decadent ideas of capitalism will corrupt us as a society and pollute our minds. In short, if we do not have the strength of our strong ideological and political work, we will deviate from the socialist orientation in carrying out reform and opening the country to the outside world and fail to achieve our expected goal.

Following the development of our economy and the basic solution of the problem of providing people with adequate food and clothing, the masses, particularly younger people, have even higher demands in material life. At the same time, they have even more pressing needs in spiritual life as compared with the past. They want to study more and they demand rich and colorful activities for culture, sports and recreation. They also want to travel and tour various places. If we ignore this kind of increasing popular demands and refuse to try our best to provide them with the necessary conditions, people may engage in gambling, carry out feudal and superstitious activities, or do something vulgar and disrupt the social order.

We must also realize that to develop spiritual civilization is an arduous and complicated engineering project. It is impossible to complete such a project in a day or two. A moment's ignorance may lead to a gross error

which will harm people for a whole generation. When erroneous ideas and unhealthy tendencies are being formed, it is often difficult to detect them. It will be very hard to correct them once they take root. Therefore, we must regard the simultaneous development of the "two civilizations" as a strategic principle which we must uphold over a protracted period. In carrying out the central task of promoting economic construction, we must not for a moment neglect or slacken our efforts to develop spiritual civilization. Nor should we develop material civilization first and promote spiritual civilization afterwards.

An important task of ideological and political work is to conduct in-depth education on the situation and policies among the cadres and ordinary people in light of their thinking and central task over various periods. Currently education should be focused on the study and publicity of the documents of the Fourth Session of the Sixth NPC so as to mobilize the vast numbers of cadres and people to strive for an allround fulfillment of the Seventh 5-Year Plan and the gigantic goal set by the 12th CPC National Congress before the end of this century. We should help the cadres and people review the magnificent achievements scored during the Sixth 5-Year Plan, have a clear grasp of the mainstream of the current situation, enhance their confidence in reform, and raise their consciousness in implementing the party's line, principles, and policies. We should also help them thoroughly understand the basic tasks and guiding principles of the Seventh 5-Year Plan, and thus have a clear picture of the specific tasks and future prospects of each trade and profession, locality, and unit, thereby making the Seventh 5-Year Plan really become a program of action for the large numbers of cadres and people. Firmly grasping the theme of reform while studying and publicizing the documents of the Fourth Session of the Sixth NPC, we must enable the cadres and people to familiarize themselves with the main aspects of reform during the Seventh 5-Year Plan, persist in the general objective and basic direction of reform, organically combine the enterprising spirit of a pioneer in forging ahead with cautiousness and solid work, and correctly integrate immediate with long-range interests and local with national interests, thereby ensuring a healthy development of reform. Since last year, many localities have organized report meetings, and principal leaders at various levels have visited colleges, universities, and some middle schools to attend discussion meetings and listen to public opinion. With a clear objective in mind during the meetings, the leaders answered questions of common concern among the masses, as well as cleared their doubts. This is an effective way of conducting education on the situation and policies, improving leadership workstyle, and encouraging self-study among leading cadres. It should become a system and be continued for a long time to come.

Another important task of ideological and political work is to bring about a fundamental improvement in general social conduct in order to create a healthy social environment for the reform and modernization program. To fulfill this task, much needs to be done, but it can be summarized as cultivating healthy practices and eliminating unhealthy ones. On the one hand, we should energetically commend the exemplary deeds of advanced individuals and units on various fronts, publicize their civilized,

healthy, positive, and enterprising spirit and their dedication to modernization, and conduct education, in various forms welcomed by the people, in patriotism and collectivism, in the four cardinal principles, and in communist ideals, morality, and professional ethics. On the other hand, we should earnestly rectify unhealthy tendencies, clamp down on improper activities that corrupt social conduct, and severely punish serious criminal offenses and economic crimes according to the law. In commending and emulating advanced individuals and units, we should stress actual results and guard against formalism, especially the never-ending visits to advanced individuals and units which created a heavy burden on them. In rectifying unhealthy tendencies and striking at serious economic crimes, we should take firm and prudent action, persist in seeking truth from facts, and correctly apply the policy. Those who should be punished according to the law must be duly handled, and should never easily get away with their wrongdoings. At the same time, we should protect the initiative of cadres and people to develop the economy and encourage their boldness in work and their sense of responsibility. It is necessary to check some units, in which healthy practices are not encouraged nor publicized, while unhealthy ones are rampant and not eliminated.

The key to intensifying the building of socialist spiritual civilization and rectifying unhealthy tendencies lies in the exemplary role of leading organs. Most functionaries in our government organizations at various levels serve the people earnestly, and their achievements are remarkable. However, serious corruption does exist in a few localities and units. Aside from an insignificant number of violations of law and discipline, a rather serious problem can be found in some administrative departments and institutions who have forgotten the fundamental goal that the people's government should serve the people and grassroots, and have used their powers to try, by hook or by crook, to make money, including setting up business and running enterprises, extracting fees without approval, and taking "rebates." Another rather serious problem is the extremely irresponsible bureaucracy which has caused grave damage to the country and the people. These negative and undesirable activities have undermined the prestige of government organizations and corrupted social conduct. Therefore, to bring about a fundamental change for the better in general social conduct, it is necessary to start by rectifying the unhealthy tendencies in leading organs and investigating and handling cases involving economic crimes and dereliction of duty by leading cadres. The provincial people's government and provincial organs, in particular, should set a good example for people throughout the province. Governments at various levels should overcome resistance and support the discipline inspection commission and political and judicial departments in their investigations. Whoever is involved should be punished according to the law and discipline. Government functionaries should not be allowed to shield each other. We are convinced that so long as leading organs and cadres at various levels assume a serious and earnest attitude and make solid and relentless efforts to rectify unhealthy tendencies and investigate major and serious cases, we will surely be able to achieve a fundamental improvement in general social conduct.

The question of cadres' workstyle and general social conduct is ultimately a question of human consciousness. Unhealthy tendencies, violations of law and discipline, and immoral, uncivilized, and unhealthy activities are inseparable from selfishness, backwardness, and stupidity. In the final analysis, the building of socialist spiritual civilization is to help people foster a correct outlook on the world and life, learn the way to scientifically, morally, and aesthetically distinguish between right and wrong, build up their scientific and general knowledge, and combat selfishness, backwardness, and stupidity. Governments at all levels, on all fronts, and in all quarters of the community should attach great importance to raising human consciousness. It is necessary to step up and improve the publicity, education, and study of Marxism. Cadres at all levels should diligently study theory, and arm themselves with Marxist theory and the party's line, principles, and policies in order to raise their ability to discern and resist erroneous ideas. As education plays a decisive role in raising human consciousness, schools at all levels and of all kinds should conscientiously implement the policy of developing students in an allround way--morally, intellectually, physically, and aesthetically--and should appropriately increase the amount of manual labor in the curricula. A teacher should impart knowledge as well as ethics to the students so that they can achieve allround development and become a new generation of people with noble ideals, morality, general knowledge, and discipline. In order to struggle against stupidity and superstition, scientists should not only work for economic development, but also strive to popularize scientific knowledge, spreading such natural and social sciences as astronomy, geography, medicine, pharmacy, health, birth control, environmental protection, aesthetics, and law; and people engaged in literature, arts, press, publications, radio and TV broadcasting, and other cultural departments, who shoulder an especially important mission in building spiritual civilization, should provide still more and better intellectual products for raising the general knowledge, moral standards, and ideological awareness of the people.

Intensification of education in democracy and the legal system and popularization of legal knowledge are fundamental ways to prevent crime and coordinate the efforts of all quarters to improve public order. In carrying out work in this field, it is necessary to make the large numbers of cadres and people, especially leading cadres at all levels, familiarize themselves with the laws and conscientiously observe law and discipline. Law enforcement departments should set good, law-abiding examples to ensure that laws are observed, that their enforcement is strict, and that lawbreakers are dealt with.

While accelerating their modernization and regularization and becoming more revolutionary, PLA and People's Armed Police units in Zhejiang have performed their duties diligently and contributed greatly to building material and spiritual civilization, safeguarding coastal defenses, and maintaining public order. On behalf of the provincial people's government and the people of Zhejiang, I extend warm regards and heartfelt gratitude to them. During the new 5-year plan period, we will further improve our work of supporting the Army and giving preferential treatment to army

dependents and in settling demobilized and retired army men, and energetically support the PLA and the People's Armed Police Force in their endeavor to accelerate their modernization and regularization and become more revolutionary. We will also successfully restructure militia organizations, reform their training, and upgrade their equipment.

It is necessary to do a good job in overseas Chinese affairs and the work on Taiwan; further implement the policies regarding overseas Chinese, their relatives, and families of personnel who have gone to Taiwan; and increase the contacts with those overseas in order to revitalize the Chinese nation and promote the great undertaking of unifying the motherland.

Fellow deputies:

Realization of the Seventh 5-Year Plan will bring about tremendous changes in Zhejiang's economic and social outlook, and this concerns the vital interests of the people of the whole province. As this year is the first year of the Seventh 5-Year Plan, the trumpet has already sounded for winning new victories. Realization of the plan will depend on all workers, peasants, intellectuals, cadres, PLA units stationed in Zhejiang, armed police units, public security cadres and policemen, democratic parties, people's mass organizations, and patriots. Our task is formidable. Let us get mobilized and, under the leadership of the CPC Central Committee, the State Council, and the Zhejiang Provincial CPC Committee, work with one heart and one mind and with our wisdom, intelligence, and diligent labor in striving for the victorious fulfillment of the Seventh 5-Year Plan.

/9604

CSO: 4006/1090

PROVINCIAL AFFAIRS

FUJIAN GOVERNOR REPORTS TO 6TH PROVINCIAL PEOPLE'S CONGRESS

Reviews Sixth 5-Year Plan

OW091025 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report to the Fifth Session of the Sixth Fujian Provincial People's Congress, Governor Hu Ping made a comprehensive review of the implementation of our province's Sixth 5-Year Plan. He said: During the period of the Sixth 5-Year Plan, our province carried out the principle of readjusting, restructuring, consolidating, and improving the economy. In our foreign economic activities, we carried out special policies and took flexible measures. The targets set in the Sixth 5-Year Plan were met, and gratifying changes appeared in our province's economic and social outlook. The past 5 years were a period marked by a significant advance of our province in exploring ways for urban and rural economic structural reforms. They were 5 years of our province's economy changing from a closed to a semiclosed state, and then to an open state. They were also 5 years of our province's economy being extricated from a poor and slow-developing state and gradually catching up with the pace of the nation's economic growth.

The report states: During the Sixth 5-Year Plan, our province's economy showed sustained, steady, and balanced development at a rather quick pace. Our gross value of industrial and agricultural output increased by an average 12.6 percent annually. The annual growth rate of the gross domestic product was 11.2 percent, and that of domestic income 11.4 percent. All these rates exceeded the national averages. During these 5 years the agricultural output value increased at an average rate of 11.8 percent annually, also higher than the nationwide average for the period. As for industrial output value, the annual growth rate averaged 13.1 percent, surpassing the preset target of 7.2 percent. In particular, production of consumer goods, including food items, textiles, garments, household electric appliances, and daily necessities, all doubled, and their varieties and designs increased remarkably. In the latter stage of the Sixth 5-Year Plan period, we paid attention to tightening macroeconomic control while invigorating the microeconomy, resulting in greater economic benefits for society. At the same time, major economic sectors were brought into balanced development, and the accumulation rate was maintained in the region of 26 percent, a rather reasonable rate. All this played a significant role in ensuring the sound development of our province's economy.

The report states: During the Sixth 5-Year Plan, our province achieved fruitful results in implementing special policies and flexible measures in dealing with foreign economic activities. Our economic relations, trade, and technological exchange with foreign countries and regions were vigorous. Our province had economic and trade relations with 124 countries and regions in the world. The volume of imports and exports totaled \$3.39 billion, or 1.5 times the total for the previous 30 years. Contracts for utilizing foreign capital amounting to \$800 million were approved, and \$300 million of foreign capital was actually put to use during the period in question. A total of 793 contracts for joint investment projects, cooperative projects, and projects exclusively using foreign capital were approved. Of these, 368 have already become operational. We fully exploited one of our province's strong points, namely, it being the native home of a large number of overseas Chinese, by encouraging these overseas Chinese to return to make investments. This brought economic prosperity to those localities that are their native places. In the meantime, we maintained extensive contacts with international banking organizations and used international loans rather successfully in building a number of major projects such as the Xiamen international airport, the Shaxikou hydroelectric power station, and the Shunchang cement plant. The Xiamen special economic zone made conspicuous efforts to strengthen the building of its infrastructural facilities. Fuzhou accelerated its pace of economic development as a city opening to the outside world. In the Mawei economic and technological development zone, initial conditions were created for attracting foreign investment. In the triangular open zone in southern Fujian, plans and arrangements were made to promote production to meet the requirements for developing trade, industry, and agriculture. In addition, our province made considerable progress in obtaining contracts for construction projects in foreign countries, promoting labor cooperation with foreign partners, and developing tourist industry. Also, friendly exchanges with foreign countries increased.

During the Sixth 5-Year Plan, our province made considerable advances in capital construction and technological transformation. The amount of fixed asset investment made in enterprises owned by the whole people during these 5 years totaled 10.2 billion yuan, equal to the total for the three preceding 5-year plans. Capital construction investment projects totaling 7.3 billion yuan were completed. New fixed assets that came into being during this period amounted to 4.9 billion yuan. Forty-four big and medium-sized projects began operation after being fully or partially completed. Building basic energy and transport facilities were emphasized. Progress in technological transformation and technological imports was greatly accelerated. A total investment of 2.64 billion yuan were made in upgrading various facilities. Over 4,000 technological transformation projects, including 320 projects that involved technological imports, were completed during this period.

The report said: The period of the Sixth 5-Year Plan saw improvement in our province's financial condition. Revenue for these 5 years totaled 8.23 billion yuan with an average annual growth rate of 10.3 percent.

Both the increase in revenue and its growth rate were higher than those of any of the previous 5-year plans.

The report continued: The period of the Sixth 5-Year Plan also saw considerable development of science, technology, education, and various cultural undertakings. Our province spent 2.99 billion yuan for operating expenses in the fields of science, technology, culture, and education, the largest sum for such expenses for a 5-year period since the founding of the People's Republic. Achievements were made in solving key problems in science and technology and in applying scientific and technological research results. Awards were given to 252 successful scientific and technological research projects and to 51 other projects that were considered successful in promoting the application of research results. The contingent of scientific research workers continued to expand. In 1985 the number of those engaged in research work on natural science and technology and those engaged in social science research totaled 308,900, an increase of 154,600 above the number in 1980. Education developed at a rapid pace. During the 5 years, 116,600 people graduated from institutions of higher learning and secondary specialized schools. Adult education was in an unprecedented thriving state. Secondary education was restructured to a fairly great extent, and the work of popularizing primary education made new progress. Great achievements were scored in literature and art, press and publication, radio broadcast, movies, television, public health, and athletics.

During the Sixth 5-Year Plan, the market was brisk in both urban and rural areas of our province, and there was remarkable improvement of the people's living standards. The volume of retail sales in the province showed an annual average growth rate of 14.6 percent. During the 5 years jobs were provided to 680,000 people in cities and towns. In 1985 the average amount an urban resident spent on living expenses was 721 yuan, exceeding the 1980 level by 330 yuan. The annual increase in this expense averaged 7.5 percent, after adjustment is made for rises in commodity prices. In 1985 the net income of each peasant averaged 396 yuan, or 224 yuan more than the 1980 figure. The annual rate of increase averaged 16.3 percent, making these 5 years a period of fastest growth of such income since the founding of the People's Republic.

Views Plan to Help Poor Localities

OW090720 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report to the Fifth Session of the Sixth Provincial People's Congress, Governor Hu Ping talked about the planning to help poor localities in old revolutionary base areas, minority nationalities areas, remote areas, and coastal islands and about the regional economic arrangements.

Hu Ping said: The draft Seventh 5-Year Plan has made appropriate arrangements for the development of poor localities in the old revolutionary base areas, minority nationalities areas, remote areas, and on coastal islands.

Hu Ping pointed out: In accordance with the principle of taking full advantage of strengths and reasonably readjusting the economic structure, our local economic arrangements take into consideration both the development of better areas and support for poor areas. The coastal areas where the commodity economy is more developed, the industrial foundation is better, the technical level is higher, and transportation is more convenient are required to develop new pioneering, technology-intensive industries, and develop the economy which is oriented toward the outside. The poverty-stricken mountainous areas where resources are comparatively richer, the technical level is low, and the commodity economy is underdeveloped will be given support in terms of construction projects, funds, and materials as well as in policy, so that they may conduct technical transformation and technological importation faster and have greater ability to develop their economies. We must step up the building of basic facilities in the mountainous areas to promote greater development of the commodity economy there. At the same time, we must develop the lateral economic association between the coastal areas and the mountainous areas, between prefectures, and between cities so that both the coastal and mountainous areas can give full play to their respective strengths, draw from each other's strengths to offset weaknesses and promote each other.

Hu Ping said: During the Seventh 5-Year Plan period, the task to help old revolutionary base areas, minority nationality areas, remote areas, and coastal islands free themselves from poverty and become well off should be listed in the important agenda of governments and departments at all levels as a major task. According to the plan's requirement of "freedom from poverty in 3 years, removal of the labels in 5 years, and offering contributions in 8 years," we must try hard to fulfill it ideologically, organizationally, and in policy measures. Freedom from poverty means in 3 years the per capita net income of all peasant households in poverty-stricken townships and villages will surpass 200 yuan and, by 1990, over 300 yuan. First of all, we must help out those peasants who still have difficulties feeding and clothing themselves property. By removing labels in 5 years some counties which cannot make ends meet yet should have their labels of "financial subsidy recipient counties" removed and should strive to turn in to the state some surpluses. We must do the aid-the-poor work by freeing them from poverty and enabling them to become well off, by enabling both the people and the county to become well off, and by promoting both material and spiritual civilization. We must institute the system of responsibility for the objective of enabling people to be free from poverty and become well off. In addition to the provincial-level organs sending out a group of cadres to poverty-stricken areas to help them out in the first 3 years, the provincial leading cadres of governments at all levels and the provincial-level departments in charge of specialized work must all establish ties with selected localities for helping in shaking off poverty and becoming well off. Such ties should last for a few years and results must be achieved within a set period of time.

Assesses Population Growth Control

OW090835 Fuzhou FUJIAN RIBAO in Chinese 21 May 86 p 1

[Text] Governor Hu Ping, in his report at the Fifth Plenary Session of the Sixth Provincial People's Congress, pointed out that it is a strategic measure to have population growth under control. During the Sixth 5-Year Plan, Fujian Province achieved certain success in family planning, but did not do well in controlling population growth, for the major assessment indicators, such as the birth control rate, natural growth rate, and birth rate, all lagged behind other provinces and municipalities. The population's natural growth rate for the Seventh 5-Year Plan will be maintained at 10.5 per thousand. Since this will be a peak child-bearing period, it will be difficult to control population growth.

Hu Ping said: Our province has many people but little land. The per capita farmland is only 7 fen [66.666 square meters]; therefore, it is imperative to control population growth. Otherwise, improving the people's living standard and better carrying out economic and cultural construction would be impossible. During the Seventh 5-Year Plan, governments at all levels must attach greater importance to birth control work by paying equal attention to birth control and economic work at the same time. It is essential to expand the family planning institutions, strengthen the organization of family planning work teams, and set up a sound system of responsibility. This should be gradually carried out in grassroots-level units; it is necessary to patiently and meticulously publicize education among the vast masses in order to constantly enhance their awareness of the need of implementing birth control; it is important to maintain the continuity and stability of all family planning policies as well as to promote the practice of having one child per couple. However, rural couples with practical problems should be allowed second births in accordance with policy. Second and third births in excess of the plan should be strictly prohibited. As the focus of family planning work is in the countryside, birth control should be carried out in conjunction with changing the backward customs and practices of rural areas, as well as with popularizing scientific knowledge, propagating the need of keeping down the birth rate and stressing eugenics in order to improve the quality of the population. It is imperative to make headway in family planning work this and next year so as to actually put population growth in our province under control.

/9604

CSO: 4006/1090

PROVINCIAL AFFAIRS

LI XIMING ADDRESSES BEIJING PEOPLE'S CONGRESS 20 MAY

SK022320 Beijing BEIJING RIBAO in Chinese 21 May 86 p 1

[Text] After satisfactorily fulfilling all items on the agenda, the Fifth Session of the Eighth Beijing Municipal People's Congress was successfully concluded at the Great Hall of the People yesterday afternoon. The congress session called on the people of various nationalities and from various circles throughout the municipality to work with one heart and one soul and to unite as one under the leadership of the party and the government, to display the spirit of the foolish old man who moved the mountain and the pioneering spirit, to actively join in the great practice of the Seventh 5-Year Plan, to persist in reform, to pioneer the road of advance, and to exert efforts to successfully fulfill the Beijing municipal Seventh 5-Year Plan for economic and social development.

The executive chairmen of yesterday's congress session were the executive members of the congress presidium, including Li Ximing, Jin Jian, Xu Weicheng, Wang Jialiu, Li Qiyan, Li Guang, Wang Lixing, Wang Xian, Pan Yan, Ma Yaoji, Hou Jingru, Wen Jiasi, Pu Jiexiu, She Diqing, Chen Mingshao, Zhang Dazhong, Xing Jun, Rong Yi, and Xia Qinlin.

At 1500, Li Ximing declared the opening of the session. After that, Ma Yaoji chaired the elections. The congress session elected, through secret ballot, the president of the municipal Higher People's Court, the president of the municipal Intermediate People's Court, and the chief procurator of the municipal People's Procuratorate. Chief ballot supervisors Qi Jialian (female) and Li Qiangou announced the results of the elections.

The session then adopted a report on the municipal Seventh 5-Year Plan and a resolution on the report concerning the Seventh 5-Year Plan submitted by the Fifth Session of the Eighth Beijing Municipal People's Congress, a resolution on the 1986 economic and social development plan and on the 1985 financial accounts and 1986 financial budget, a resolution on the work report of the municipal People's Congress Standing Committee, and a resolution on the work reports of the municipal Higher People's Court and the municipal People's Procuratorate. The session also heard and endorsed a report given by Ma Dazhong, chairman of the motions examination committee of the congress session, on the examination of motions raised by deputies.

Comrade Li Ximing spoke at the end of the session. He said: During the session, all deputies have freely aired their views, and reviewed the remarkable achievements made in various fields during the Sixth 5-Year Plan period as a result of the efforts of the people throughout the municipality in upholding reform and striving to explore, to pool the wisdom and efforts of all, and to work hard. They have planned and formulated a magnificent blueprint for developing the capital during the Seventh 5-Year Plan period. This congress session will exert great and profound influence on the capital's socialist modernization cause.

Comrade Li Ximing said: This session has brought democracy into full play and the deputies have conscientiously performed their duties as the people's deputies and exercised the rights of the people's deputies with a high sense of responsibility. In the course of examining and discussing all reports, the deputies have offered many pertinent and valuable ideas and suggestions. All deputies have put forward many constructive ideas for strengthening urban construction and management of the capital; developing educational, cultural, and public health undertakings; improving service attitude and raising service quality; ensuring vegetable supplies; developing agriculture in the suburban areas; improving the democratic and legal systems; exerting continued efforts in dealing blows to serious economic crimes and criminal offenses; and strengthening the building of spiritual civilization.

These ideas fully embody the concern, support, and wishes of the people throughout the municipality for the construction of the capital. These ideas will serve as a driving force for promoting all future work in Beijing and for realizing all objectives and tasks during the Seventh 5-Year Plan period. He expressed the hope that all deputies would continue to conscientiously supervise and examine all fields of work in Beijing in the future and give criticism and suggestions at any time. The municipal People's Congress Standing Committee, all district and county People's Congress standing committees, and the people's governments at all levels should create conditions for the deputies to perform their duties and make things convenient for them, and conscientiously approach and properly handle the ideas and suggestions raised by deputies.

Comrade Li Ximing emphatically pointed out: The Seventh 5-Year period is a crucial period for reforming the economic structure of our country. This is the first year for implementing the Seventh 5-Year Plan and doing this year's work successfully will be of vital importance. At present, the political and economic situations in Beijing Municipality are good. However, we should also realize that we still have to face many arduous tasks and difficulties. We should actively publicize and earnestly implement the guidelines of this session, uphold the correct orientation of reform, and continue to improve various reform measures. On the premise of grasping the two civilizations simultaneously, we should give priority to prominently grasping the spiritual civilization. We should also vigorously strengthen ideological and political work, further improve the system of holding the people's congresses and other democratic forums,

be good at applying legal means to manage economic and other undertakings, continue to march along the path of the four directives and the 10 instructions of the central authorities, mobilize the people throughout the municipality, unite with them, display the spirit of the foolish old man who moved the mountain, work with one heart and one soul, pioneer our road of advance, and strive to build the capital of the great motherland into a better and more beautiful place.

In his speech, Comrade Li Ximing also said: The deputies thank Xue Guanghua, the former president of the municipal Higher People's Court, and Wang Zhenzhong, the former chief procurator of the municipal People's Procuratorate, for their contributions to building the legal system in the municipality during their terms of office.

Responsible persons of the municipal CPC Committee, the municipal Advisory Commission, the municipal People's Congress Standing Committee, the municipal government, the municipal Higher People's Court, and the municipal People's Procuratorate, as well as the responsible persons of various departments, commissions, offices, and bureaus; some general companies; and the various district and county People's Congress standing committees and governments attended the session as observers. Some NPC deputies elected from Beijing also attended the session as observers, among them being Dong Jianhua and Zhang Binggui, members of the NPC Standing Committee.

The congress session came to a successful end amid the magnificent playing of the national anthem.

/9604

CSO: 4006/1071

PROVINCIAL AFFAIRS

NEI MONGGOL'S ZHANG SHUGUANG INSPECTS BANNERS, COUNTIES

SK071156 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 6 Jun 86

[Text] In mid-May, accompanied by Tian Congming, deputy secretary of the regional CPC Committee, Zhang Shuguang, secretary of the provincial CPC Committee, made an inspection tour of some banners and counties in Ih Ju and Ulanqab Leagues to discuss how to [words indistinct] and help the people end poverty and become prosperous.

Zhang Shuguang and other leading comrades first went to Jungar Banner to inspect the [words indistinct]. After hearing the report by a responsible comrade of the banner, Comrade Zhang Shuguang said: Ending poverty, unloading the burdens, planting trees, and breeding cattle and sheep are a way of economic construction for Jungar Banner. Comrade Zhang Shuguang said: (Ningtiao) is a superiority of Jungar Banner. We should mobilize the people throughout the banner to vigorously plant (Ningtiao) in order to build the banner into a (Ningtiao) base in 3 to 5 years. After hearing the report by a responsible comrade of the headquarters of the Jungar coalfield, Comrade Zhang Shuguang praised him for his [words indistinct] policy implemented at (Yongqigou) in (Gaole) township. In developing the Jungar coalfield, there are many favorable conditions and a bright future. The development of the Jungar coalfield will promote the penetrating development of the local economy. In developing this project, many feasibility studies have been conducted which have avoided blindness and duplication in this regard. [Words indistinct] Comrade Zhang Shuguang said: We should overcome the idea of the small-scale economy, give consideration to long-term development, and make early arrangements for overall construction.

In Qingshuihe County, Comrade Zhang Shuguang inspected the (Jiangchun) enamel plant, the (Yangjiayao) water and soil conservation and afforestation project, [words indistinct] processing plant in (Wangguiyao) township, and (Jibo) grass farm. Zhang Shuguang said: Qingshuihe County should exploit its favorable conditions in tree- and grass-planting and forage grass processing, should take advantage of its superiority in [words indistinct] to develop animal husbandry, should develop town and township enterprises which serve the neighboring cities and large enterprises, should attend to developing water conservancy and power industries, and should build itself into a typical county which integrates agriculture

with animal husbandry, [words indistinct] links up the places outside and inside the Great Wall, and facilitates the flow of economy on both sides of the Huang He. To this end, we must adhere to the principles of seeking truth from facts, acting according to our capability, and [words indistinct].

During his inspection tour of (Helin) County, Zhang Shuguang said: We have already made a good beginning in implementing the principles of developing diversified occupations with stress on forestry and animal husbandry. [passage indistinct] Comrade Zhang Shuguang said: We should study the strategy for the county's economic development. The 30-odd banners, counties, and cities across the region should all have their own respective characteristics, and these respective characteristics should form the special features of Nei Monggol. [words indistinct]

In Liangcheng County, Zhang Shuguang, in line with the specific situation of Liangcheng County, called on the county to take the road of supporting animal husbandry with agriculture and promoting agriculture with animal husbandry. Comrade Zhang Shuguang said: We are now in the period of reform. Therefore, we leading cadres at all levels should attend to combining the principles and policies of the central authorities and the region with the work of localities. [words indistinct] He said: In implementing the principle of developing diversified occupations with stress on forestry and animal husbandry, we should be good at accounts. We should pay attention to tree- and grass-planting, just as they do to grasping grain. Our policies should encourage tree- and grass-planting, just as they encourage the growing of grain.

After hearing the report in Zhuozi County, Zhang Shuguang and other leading comrades pointed out: Leaders at all levels must follow the principle of taking one step and looking around before taking another and the principle of grasping forestry in the future, grasping animal husbandry at present, and grasping the work of becoming prosperous within this year.

/9604

CSO: 4006/1090

PROVINCIAL AFFAIRS

GANSU LEADERS SPEAK ON ECONOMIC WORK ISSUES

HK080211 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 7 Jun 86

[Excerpts] The Gansu Provincial Government held a plenary meeting from 5 to 7 June to analyze the current economic situation and study and make arrangements for economic work in the next few months, especially in June, July, August, and September. The meeting called on the people of the province to strive for new victories in economic construction this year.

This year the province has been short of capital and raw materials, and many problems have been encountered in industrial production. In the face of these realities, the departments concerned have promptly studied and formulated corresponding policies, measures, and methods, with the result that industrial production has maintained a good momentum of steady development.

The agricultural situation is also relatively good. Thanks to correct policies and sound work, the sown area of grain is larger than last year. There are ample supplies of chemical fertilizer and agricultural chemicals. The foundation has been laid for a bumper harvest this year.

Comrade Li Ziqi addressed the meeting on the morning of 7 June. Speaking on questions of economic structural reform, he said that reform is a social systems engineering project on a vast scale which requires a great deal of pioneering work. There are no previous experiences to which we can refer, nor are there any ready-made models to copy. We can only proceed from reality and feel our way forward in practice.

Li Ziqi demanded that the leaders at all levels correctly distinguish between the new problems that occur in reform and unhealthy trends. They must take a firm and clear-cut stand in supporting reform, enthusiastically project the enthusiasm of the reformers, and act as their good backers, to ensure that economic structural reform in Gansu will advance along the correct track.

Governor Jia Zhijie delivered a summation at the conclusion of the meeting. He said: Although industrial output in the first 5 months of the year increased compared with the same period last year, we have not yet caught up with the rate of progress required by the plan. The cadres and workers must have a sense of urgency. They must implement various measures to ensure the fulfillment of the year's tasks.

Comrades Hou Zongbin, Ge Shiyang, Lu Ming, and Zhang Wule also spoke at the meeting.

/9604

CSO: 4006/1090

ECONOMIC DEVELOPMENT ZONES

FORMATION, STRUCTURE OF OPEN COASTAL ECONOMIC ZONE

Shenzhen SHENZHEN TEQU KEJI [SCIENCE AND TECHNOLOGY OF SHENZHEN SPECIAL ZONE]
in Chinese No 2 (Apr-Jun) 85 pp 2-6

[Article by Chen Zhaowu [7115 5128 2430], Jinan University professor: "Forms and Structures of the Open Door in China's Coastal Areas"]

[Text] Opening up to the outside is a long-term national policy designed to stimulate China's economy. Work began in 1979 with the foundation of the special economic zone [SEZ], and then on the basis of the remarkable results attained and the summation of the SEZ experience, was followed by opening up 14 coastal cities and Hainan Island, and the designation of the Zhu Jiang and Chang Jiang deltas and the Southern Fujian Xiazhangquan Triangle as open coastal economic zones. In the future this will be gradually expanded to include the eastern Liaoning and Jiaodong peninsulas in the north. China's open area along the Pacific Coast has already taken on a preliminary structure, stretching from the Bohai Bay and Dalian in the north, and south to the Beihai Sea.

The open area runs through four SEZ's, 14 coastal cities, Hainan Island and 3 open economic zones on the coast, forming the forward position of China's open door policy. Within it is a network of crisscrossing relationships connecting the outside to the interior. The region, which has the form of a giant fan radiating outward, takes the SEZ's and open cities as its centers, and will stimulate the economy of the coastal area and develop the economic potential of the interior.

The opening up of economic development zones along the coast is a major strategic concept in the promotion of modernization in China, and has become increasingly noticed by people at home and abroad. How to deepen our theoretical understanding of this concept and what role the development zones will play are important issues that should be studied.

I. The Opening up of Economic Development Zones Is a Major Policy Decision That Goes Along with the Tide of History and Requires a Global Outlook

The open door policy cannot be understood as a temporary expedient. It must be understood in terms of historical trends and developments and of global economic strategy, especially the rapid revolutionary developments in tech-

nology. Otherwise we will not be able to gain a more profound comprehension of this far-sighted and sagacious policy.

The internationalization of production and exchange and the constant intensification of international economic relations worldwide is a historical law in the development of human society. The founders of Marxism pointed out long ago that due to the opening of world market, "production and consumption in every nation has become global in nature," and that, "self-sufficiency and isolation have been replaced by relations of mutual dependence and intercourse among all nations."¹ This is an inevitable objective tendency which takes as its background a highly developed commodity production. The process of the internationalization of production and exchange has accelerated increasingly since World War II, as have the relationships and interdependence among nations. Any nation in which the development of the forces of production separates itself from the world economic network will surely fall into a state of stagnation. This point has become increasingly clear with the rapid development of science and technology on a global level.

However, despite the fact that the above is uncontestable, basic, common sense, under the influence of "leftist" ideology, isolation and self-sufficiency were distorted to mean "regeneration through one's own efforts," and developing international economic relations were viewed as bringing in capitalism, which totally confused everyone. Therefore, the implementation of the open door policy requires the prior thorough elimination of the "left" ideological influence.

The "Decision" of the 3d Plenum of the 12th CPC Committee clarified the nature of the socialist economy as one belonging to the commodity economy, and further brushed aside theoretical obstacles hindering our attaining a more profound understanding of the open door policy. We now realize that opening up is an inevitable requirement necessitated by the development of the commodity economy. Commodity production needs markets, and will inevitably find a path to the world market. Isolated markets cannot resist the tidal wave attack of the development of the commodity economy. We cannot set up internal barriers in our socialist commodity economy; nor can we attempt to do the same thing and isolate ourselves from foreign markets. Breaking isolation is a necessary condition in the acceleration of the development of China's socialist commodity economy.

This forms the general theoretical basis for China's implementation of the open door policy. What needs to be discussed now are not only questions relating to the development of the national economy via the open door, but also questions regarding the reasons for creating SET's and the open coastal economic development zone. This policy implies the implementation of a series of special economic policies within the bounds of a specific geographical area. The resulting open economic development zone differs from most open markets in the country. Why must we adopt these forms? What is the broader significance of the creation of the coastal open economic development zone? As the usual theories are insufficient, it is necessary to study in depth the background and specific content of this major policy decision.

1. Selected Writings of Marx and Engels Vol 1, pp 254-255.

First, it should be understood that the internationalization of production has been accelerated by great developments in science and technology. Science and technology as part of the forces of production are having an increasingly greater effect on the economic development of all nations on a global scale, particularly in this day and age when we are faced with a new technological revolution. Scientifically backward nations will have to seize the opportunity and take effective measures to rapidly narrow the gap between them and the developed nations. This is what is meant when we speak of the need to adopt effective policies in the face of the challenge, and is a strategic task in the promotion of modernization in China. To accomplish this, China must greatly develop international economic and technological relations and enable our production and exchange to participate in world markets more broadly and deeply. We must also implement special policies in certain regions to strengthen these relations.

The special zone should act as a catalyst to accelerate the absorption and assimilation of advanced technologies. The SEZ's and open economic development zones have been created to meet just that need and to act as four "windows" to the outside. The open economic development zones are a part of China's centralized, open socialist economy, and form a forward position for the implementation of certain specific tasks. Their creation should become China's major strategy in meeting the new worldwide technological revolution, and is a vital component part of strategic plans to promote socialist modernization.

The economic role of the Pacific region has grown increasingly since the 1960's. The world economy has already shown signs of shifting its center toward it. In the southern arc of the Pacific, the primary economic forces will be Japan and China. Faced with strong economic rivals, China's ability to develop into an economic center in the Pacific largely depends on the capacity of our coastal areas to fully develop their giant economic potential. Therefore the creation of the open economic development zone will also play a role in making China a future economic center, and should include a returned Taiwan and Hong Kong.

The establishment of SEZ's and open economic development zones should also be linked with policies to compete internationally for advanced technologies and to increase the pace of our own economic development. Successful experiences of foreign countries in this regard should be studied. Many developing and developed nations have established special open economic zones such as free trade zones, tax-free zones and export-processing zones in their coastal areas or in transportation centers. For example, 60 percent of the FRG's foreign trade is conducted via the free trade zones of Bremen and Hamburg. America uses its 84 customs free foreign trade zones to attract foreign commerce. The export-processing zones of Singapore, South Korea and the Philippines are even more well-known. The export-processing zones and industrial parks of our own Taiwan have made much progress in the import of foreign capital and technology and in the development of foreign trade. Our comprehensive SEZ's, open coastal cities and economic development zones have been created with these competitive foreign models in mind, but have also been designed to meet our own national needs and conditions.

II. Present Advantages of the Open Economic Development Zone

1. Geographically, the zone is a pivotal area linking China to international markets, and itself to the vast hinterland. The zone between Dalian and Lianyungang forms the center of the transportation network linking China with Europe, Asia, Japan and South Korea.

The zone belonging to the rich Shanghai economic zone stretching from Nantong to Shanghai and Ningbo receives support from the rich and fertile Chang Jiang Delta and is near the East China Sea oilfields. Shanghai is also China's largest foreign trade seaport, making this area the center of the open economic development zone.

The zone from Wenzhou through Fuzhou to Guangzhou, Hainan Island and Beihai in Guangxi, and including Taiwan and Hong Kong, occupies an important position in relation to Southeast Asia. Nearly half of all the SEZ's and open ports are located here, making it a crucial part of the open economic development zone. At the same time, Wenzhou, Fuzhou and Guangzhou are traditional light industry centers. Fuzhou is situated next to the Min Jiang basin and the "golden triangle" area of Zhj Jiang Xiazhangquan, while Guangzhou is located in the naturally rich Pearl River delta area, which gives this zone an important position in the entire open door policy.

The interior areas linked with the cities and ports in the open economic development zones, related information concerning natural resources and transportation advantages are listed in the chart below for reference.

2. The open economic development zone encompasses a series of ports with good conditions rarely seen in the world.

The zone contains many deepwater ports that do not freeze in the winter or silt up and that are safe harbors, such as Qinhuang Island, Dalian and Qingdao in the north. Ningbo and Zhanjiang are both good deepwater ports, while Wenzhou, Nantong and other locations all have good harbors. The annual handling capacity of the 14 coastal parts is at 97 percent. It is clear that most of China's ports for the import and export of materials are located within the open zone.

3. The open economic development zone is also the nation's most advanced region in terms of science, technology, culture and education. It can take up the task of attracting and absorbing advanced technologies and modern knowledge. Twelve percent of the nation's scientists and technicians are located in the 14 coastal port cities, as are 17 percent of the institutions of higher education and technical secondary schools. The zone is not only a "window" for importation, but also a base for the cultivation of the new generation of modern talent.

4. Residents in a number of cities in the development zone have relatives overseas, which presents great opportunities for bringing in foreign currency. Guangzhou, Hainan, Shantou, Ningbo, Wenzhou and Shanghai, among other places, are major overseas Chinese centers. Some of these cities have traditionally

City	Hinterland link	Major Natural Resources	Transportation Advantages
Dalian	The northeast, Nei Monggol	Forests, grain, petroleum, coal, sea products, ship-building, tourism	Sea traffic with several hundred ports in 60 countries; land routes to Europe via the Siberian Railroad
Qinhuang Island	North China, the northeast	Petroleum, coal, tourism, sea products	Centralized export center for the north and northwest; China's longest oil pipeline
Tianjin	North China plain, the northwest, Nei Monggol	Petroleum, coal, sea products, chemical industry	Transportation hub for northern land-sea routes; its railroads stretch north and south; has over 20 sea lanes to 148 countries
Yantai	Shandong, the north	Sea products, mining, fruits	Near the Liaodong peninsula and the sea, well developed water transportation
Qingdao	Shandong, the north	Light industry, tourism, textiles	Sea traffic with 100 ports throughout the world, well developed railways and highways
Lianyungang	Northern Jiangsu, southern Shandong, Henan	Tourism, coal, sea products	Start of Longhai Railroad, most convenient port for the central plain and the northwest
Nantong	Provinces in the Chang Jiang basin	Light industry, textiles, tourism	Transportation heart of Jiangsu, point of transfer for sea and river routes
Shanghai	Chang Jiang delta and plains of its middle and lower reaches	An abundance of products in both hinterland and coastal zone, all industries, China's industrial heart	Transportation nexus for national sea, land and air routes, sea routes to more than 400 ports in 100 countries
Ningbo	Tong Jiang basin	Sea products, tourism, arts and crafts	International routes to Korea, Japan, South-east Asia; a central area
Wenzhou	Ouh Jiang basin	Food products, arts and crafts, tourism, clothing, machinery	Links the southeast to the outside
Fuzhou	Min Jiang basin	Machinery, light industry, tourism	Sea routes to more than 20 nations and regions
Guangzhou	Zhu Jiang delta	Ship-building, light industry, tourism	Land, sea and air transportation hub for South China, close to Hong Kong and Macao, routes to 110 nations, regions and 535 ports
Shan Jiang	Northwest hub, Guangdong, the southwest	Mining, petroleum, semi-tropical crops	Port with closest sea routes to Singapore, Africa and Europe
Beihai	Guangxi, Guizhou	Mining, sea products, tourism	Major port of entry and exit in the greater southwest

had connections with foreign businessmen. This situation is particularly marked in the SEZ's. For example, an approximate total of 4 million people originally from Shantou reside in Hong Kong, Macao and in 34 countries and regions throughout Southeast Asia, Europe and America. More than 2 million overseas Chinese and foreign citizens of Chinese descent from Xiamen are scattered throughout the world. Almost every family in Shenzhen has relatives living in Hong Kong. Overseas Chinese and compatriots from Hong Kong and Macao are playing an important role in investing in the open cities. More attention should be paid in the future to absorbing more of this great overseas investment potential into the development zone.

5. The development zone has a fairly good industrial and commercial foundation, and industry has been developing rapidly in the last few years. This makes the zone more suitable to the implementation of the open door policy and to the effective importation and absorption of advanced technology.

Based on the above analysis it is easy to see that this arch-shaped region on China's Pacific coast has a potentially great role to play in the implementation of the open door policy and the promotion of modernization in China. If the zone can link up with Hong Kong and Taiwan to form a whole, by the turn of the 21st century, the cities in this region will be like a chain of splendid precious pearls matching that of any other country.

III. The Functions and Administrative Structure of the open Economic Development Zone

The various coastal cities and related hinterland areas along the long coast line of the development zone have different characteristics, but combine to form an integrated whole. Therefore, in the overall planning for the zone, the different functions of each area have to be considered and different administrative structures established.

Open zones can be classified into the following types depending on their primary foreign trade functions: the overall open zone, the trade-oriented type, a base, and the seaport transportation type. Each open city will emphasize different functions and develop in different directions according to its special characteristics.

A similar division according to function can be applied to the SEZ using however, different categories, such as the overall type, the export processing type, the free port type and the commercial and tourism type.

The current internal structure of the development zone is divided into three levels according to the depth of outward involvement--the SEZ, the open coastal city and the open coastal economic development zone. The degree of openness and flexibility of policies and measures for each level differ. At the same time, the three levels combine to form an outward radiating open fan-shaped whole.

We will now proceed to examine the above structures more closely:

1. Function and Structure in the Open Development Zone

The different categories can be divided according to function and structure as follows: 1) The overall open type of Shanghai, Tianjin and Guangzhou. The characteristics of these three cities are: they are economic urban centers for the entire nation; industry and commerce are highly developed; all industries are represented; they have traditionally been major ports for foreign trade. At the same time, science, technology and education are more developed here than elsewhere, and are managed fairly well. Therefore they should be developed in an overall manner in order to allow them to make full use of their multidirectional function. 2) The foreign trade type of Dalian, Qingdao and Ningbo. These three cities have always been excellent ports for the conducting of foreign trade. Water transportation is convenient and their hinterland areas have an abundance of natural resources, which can help promote the development of these cities into large-scale commercial seaports. At the same time they have a definite foundation in light industry, textiles, sea products and so on, which can be rapidly developed through foreign trade. 3) The base type of Fuzhou, Wenzhou, Nantong, Yantai, Zhanjiang and Beihai. These cities and their hinterlands have an abundance of natural resources, and can become bases for foreign trade. 4) The seaport transportation type of Lianyungang and Qinhuang Island. These cities have been typed according to their transportation tasks and special characteristics. Lianyungang is the starting point for the Longhai Railway and is linked to the northwest, making it the most convenient port of exit for that region. Qinhuang Island is the harbor for the export of materials from the north and the northwest, and for China's coal. China's largest complex of oil pipelines is also located here.

It must be pointed out however, that the classification of the open cities according to function and structure is not limited to the above fixed four categories. The advantages held by the open cities are multidimensional, and any one of them can develop into a position of greater relative prominence, leading possibly to the formation of other functions and categories.

Regarding the SEZ, Shenzhen and Zhuhai are overall special zones. Their commercial and tourism aspects tend to be marked, whereas Shekou in Shenzhen is primarily an industrial special zone. Shantou has also developed into an overall special zone, and has possibilities for development in agriculture. As the Xiamen SEZ expands to include the entire island it will develop more in the direction of a free port.

Concerning the functional structure of the open development zone, the following points should be noted: 1) The purpose of classifying according to function in the zone is to ensure the coordinated operation of the special separate functions of each component part in order to most rationally and effectively develop the zone's structure and function. As this has a direct bearing on the development strategies of all the open cities and SEZ's, more in-depth research should be carried out in consideration of the various conditions, advantages and future prospects for development of each open zone or area. In addition, the tasks of the entire development zone must be clearly determined in light of global strategy. From this, the exact function of each open area can be designated.

2) The functions and structure of the development zone must be able to adapt to the changing situation. The direction of the development of any open area can only be tested and corrected through constant practice. We must attempt to seek truth from facts and not rush to conclusions based on our subjective desires or assumptions. In addition, we must take into consideration new situations and factors of the coming few years, such as the return of sovereignty over Hong Kong and the reunification with Taiwan, two important factors that require study.

Even if we take the Shenzhen SEZ as an example--despite its great successes in its 5 years of existence that have won widespread, the zone is still in a yet to be categorized transitional stage. Nor can its special economic characteristics, including the direction of its economic development, be said to be of a particular fixed type. As an overall special zone, its major functions still need to be studied more closely before being determined. For example, although Shenzhen's market is a thriving one, it has not yet developed into the outward-facing type that had been originally conceived for it, and the export competitiveness of its industrial forces of production and products is not ideal. Therefore the zone's market can only be said to be in a transitional stage. The construction of the special zone requires a transitional period; it cannot develop a fairly large export capacity overnight. Also, a careful analysis has to be made of the conditions necessary for the smooth development of Shenzhen's entrepot trade. Therefore, the current problem is not avoiding making hasty decisions concerning certain economic phenomena and developments in the Shenzhen SEZ, but concerns rather research on how the zone shall continue to develop in the future and how to make full use of its advantages to further clarify its proper functions and emphasis. There are also new issues worth studying in-depth concerning the open cities.

2. Organizational Structure in the Open Development Zone

The basis for the classification of organizational structures lies mainly in the different special policies and limitations set by the state in the process of implementing the open door policy based on the different conditions existing in each open zone. Special policies and new management systems are to be applied in the SEZ's that are within the bounds set by the state.

More specifically, these special policies are primarily composed of the four following aspects: 1) The concentrated importation of foreign capital within the SEZ. The economic system of ownership in the SEZ can tolerate a large proportion of joint capital ventures, cooperative ventures and totally foreign-owned enterprises. 2) The regulating role of the market in the SEZ's production and circulation can be widely implemented. 3) Preferential treatment can be accorded foreign businessmen in relation to taxes and the ease of entry and exit. The enterprise income tax is 15 percent. Customs taxes and commercial import taxes are waived for bringing in equipment needed for investment for foreign-run enterprises. Export taxes and other industrial and commercial taxes are waived during the export of their products. 4) The SEZ economic system is not to be held to within the framework of the economy of the rest of the nation. Various reforms can be made and the SEZ has more autonomy, for example the right to review and grant approval of suggested projects for foreign investment. 5) A certain percentage of products manufactured by foreign enterprises can be sold within China.

After the second border is delineated, the SEZs can be opened up further. However, current income taxes are already lower than Hong Kong's 17 percent. Other taxes can also be waived.

The administrative type of Hainan Island is the same as the SEZ's and policies administered there are basically the same as those of the special policies of the SEZ.

The open city basically belongs to the first structural level. The set up of the economic and technological open area has to be clearly divided into different geographic regions where special policies similar to those of the SEZ are implemented in order to attract technology- and knowledge-intensive.

The further opening up of the 14 coastal cities means primarily the expansion of their autonomy, including the right to review and grant approval of foreign investment projects, and to give various types of preferential treatment to foreign businessmen.

The old urban districts of the 14 coastal cities and the Shantou and Zhuhai city districts all belong to the first structural type as regards the implementation of special policies.

The open coastal economic development zone, including the Pearl River Delta, the Chang Jiang Delta and Xiamen's Zhangquan triangle, shall, based on their different conditions, provide favorable treatment to foreign businessmen similar to that of the open cities to encourage them to invest in China. They will also have certain rights in regard to importing and exporting, such as the right to reduce or waive taxes on joint capital ventures and cooperative ventures.

The open coastal economic development zone is still in the preliminary stage of formation, and the laws of its construction and development have yet to be explored. These zones all have as their centers the open cities, and shall dispose of their economic forces in the "foreign trade, industry and agriculture" direction. The zones are directly situated within the bounds of the SEZ or open cities, and possess abundant natural resources and a fairly well developed industrial commercial and transportation network. Therefore, they have a greater role to play in the importation of foreign capital and technology and the development of foreign trade than most economic zones inland. The integral unity of the several open economic areas that compose the development zone is highly significant.

The three levels within the development zone must form a strong organic whole and must resolve the problem of balancing the whole picture with "special" interests. The effective coordination and full development of the various levels require a prior understanding of the entire situation; the component parts and levels should not work against each other. Overlapping importation can result in great losses. The various open zones and the SEZ have been set up primarily to promote development, especially of new industries. The open cities should take as their main task the reform of old enterprises, and the full development of the role of foreign trade and of their attached hinterland areas. The SEZ's and open cities should gradually create a complex network

for the exchange of information, science and technology, and should become a link uniting the entire open zone. The open economic zone has a broad scope and requires a great effort to implement the relevant policies to turn it into an effective foundation for the open cities.

Economic and technological development in the open cities must be stressed, to allow them to give free rein to the development of their advanced new industries. In other words, this calls for the creation of a coastal "Silicon Valley" which can function as an important base for accelerating technological development in China. The establishment of economic and technological development areas in the open coastal cities is a policy decision that will play a vital role in meeting the challenge of the new world technological revolution, and will be a measure of how well the open cities implement the open door policy.

12221/8918

CSO: 4006/317

ECONOMIC MANAGEMENT

NEW METHODS TO ENLIVEN SHENYANG'S SMALL ENTERPRISES REPORTED

Beijing RENMIN RIBAO in Chinese 8 Jan 86 p 2

[Text] According to a report by SHENYANG RIBAO, Shenyang City has continuously probed new ways to invigorate small enterprises and has adopted several new policies and measures to instill life and vitality in the small enterprises. Over 4,000 small enterprises in the city, 96.7 percent of the total number of industrial enterprises, have currently extricated themselves from their predicaments.

Trial Implementation of Collective Management by Small State-owned Enterprises

Since 1984, Shenyang City has successively implemented the management method of "ownership by all people, collective management, taxation according to regulations, and sole assumption of responsibility for profits and losses" for 104 small state-owned enterprises. This has accelerated production development. The number of debt-ridden enterprises has been reduced by two-thirds, and the state's financial resources have been expanded. Moreover, the enterprises have improved their capability in self-transformation and self-development, and have established the stamina for further development.

Trial-implementation of the Bankruptcy Method for Collective Enterprises

In the past, we have supported the existence of some longstanding debt-ridden enterprises by such means as subsidy "transfusion." This has made the financial burdens of the state and local governments heavier and heavier. In February last year, Shenyang City drew up the "Regulations for Trial-implementing Bankruptcy for Urban Collective Industrial Enterprises." This put economic and legal pressure on those poorly-managed enterprises. In light of the spirit of the regulations, in August last year, the municipal people's government issued a "Bankruptcy Warning" to three enterprises, including the No 3 Agricultural Machinery Factory and the Explosion Protection Equipment Factory. The warning produced a tremendous impact on the above enterprises. Upon being warned, with the spirit of being masters of their own destiny, the staff members and workers of the entire No 3 Agricultural Machinery Factory consciously made joint efforts to rescue the enterprise. After a period of hard work, they brought about the best business state ever experienced since the factory went into operation, extricated themselves from their own predicaments, and embarked on the path of "revival."

Trial Implementation of the Shareholding System in the Collective Enterprises

Since the second half of last year, Shenyang City has trial-implemented the shareholding system in some collective enterprises. The shares of these enterprises consist generally of the state's investments, cooperative's investments, enterprise-owned funds and staff individual shares. The after-tax surplus of enterprise's profits is distributed proportionately among the shareholders. The shareholding system has closely linked the enterprise's economic benefits with the immediate interests of the staff and workers, thereby arousing the workers' enthusiasm in production.

Trial Implementation of Leasing Business Among Small Enterprises.

Currently, 37 industrial enterprises, nearly 1 percent of the city's small enterprises, have been leased to individuals for management. The benefits of these enterprises are much higher than the average level of the whole city.

Institution of Activities to Strive and Create "Small Giant Enterprises."

Last year, the city began to judge "small giant enterprises". The municipal people's government issued a certificate for and hanged a red factory plate on those factories which won the title of "small giant enterprise." These enterprises also enjoyed designated preferential treatments in such respects as wage distribution, profit retention, technological transformation, technology importation and materials distribution.

9335

CSO: 4006/555

ECONOMIC MANAGEMENT

JINGJI YANJIU ON RURAL JOINT CAPITAL ENTERPRISES

HK020903 Beijing JINGJI YANJIU in Chinese No 3, 20 Mar 86 pp 60-94

[Article written in November 1985 by Li Lianjin [2621 6647 6651] of the Department of Political Education, Tianjin Municipal Teachers University: "The Role and Problems of Fund-Raising for Rural Enterprises"]

[Text] The emergence of industrial, commercial, transport, and various service enterprises operated with joint capital raised among the peasants is a new development in the rural areas of our country. This is also an important form of economic activity in the present stage of the drive to speed up socialist construction in the rural areas. However, our understanding of and attitude toward joint capital enterprises has become a new problem with respect to both theory and practice. Some people, including operators of joint capital enterprises, still have all sorts of opinions and misgivings. At the same time, the joint capital enterprises themselves are far from perfect. Therefore, it is necessary that we enhance our understanding, formulate corresponding policies suited to the actual conditions, and give these enterprises correct guidance so that they can better serve the development of the rural economy.

The following are some views on this issue, using the operation of joint capital enterprises in the rural areas of Tianjin municipality as an example.

I. The Situation and Characteristics of the Joint Capital Enterprises in the Rural Areas of Tianjin Municipality

Joint capital enterprises in the rural areas of Tianjin municipality have developed rapidly in recent years. According to statistics of the departments concerned, at the end of June 1984 there were 1,181 peasants' joint capital enterprises employing 18,052 people. At the end of 1984, the number of such enterprises rose to 3,374, employing 48,600 people. Development has been faster since 1985. At the end of September 1985, there were 5,524 enterprises employing 89,904 people. In some localities the development of joint capital associations has surpassed that of individually operated industrial and commercial enterprises. Joint capital enterprises have great variety in regard to production items and nature of business. In September 1985 there were 3,599 enterprises engaged in manufacturing, 178 in transport,

349 in repair and construction services, 927 in commerce, 92 in the food and beverage catering, 62 in service industries, 285 in repair and maintenance, and 32 in other lines of business.

The joint capital associations in the rural areas of Tianjin municipality are of several types: There are share-capital enterprises of a cooperative nature, joint enterprises owned by a small number of people who contribute the capital and employ staff and workers to operate their businesses, and individuals raising capital and employing staff and workers to operate their businesses. Different kinds of joint capital enterprises have different characteristics in terms of ownership, mode of distribution, and system of employment. They differ greatly from a collective economy. They are also different from a cooperative economy as it is generally understood. According to a survey we have carried out in several counties and some suburban areas, joint capital enterprises have the following characteristics:

First, regarding the substance and form of raising capital, joint capital associations are established through share-capital investments. Investments can be made in many ways: They can be cash, provision of expertise, provision of factory premises or shops, or provision of labor reckoned in terms of yearly wages. For example, the Gengxin Restaurant in Ji County was established with 5.5 shares by 6 percent households. One, the owner of the premises, contributed half of share by providing a shop worth 200 yuan; a cook contributed 1 share by providing his expertise, and the remaining 4 households each contributed 1 share by giving 400 yuan. The Jinnan metal welding factory at the south suburb station is another example. It was operated with joint capital raised by 17 percent households, with each household contributing 200 yuan. Two of the households, unable to contribute any cash, provided labor and contributed their wages by the end of the year as shares.

Furthermore, shareholders are allowed to make cross-trade and cross-locality investments. No limit is imposed upon the amount of share-capital and the number of shares, and investment is on a voluntary basis with shares being withdrawable at will (when shares are withdrawn, only share-capital, not the accumulated fund, is repaid). All these measures meet the demands of the peasants in the rural areas at present.

Second, joint capital enterprises can handle the ownership of share-capital more flexibly by adopting, generally speaking, the following two methods: First, retaining the investments of individual shareholders and issuing dividends to shareholders; second, repaying of share-capital within a certain period instead of issuing dividends to shareholders, but distributing the yearly profits according to work, realized in terms of differences in wages after the deduction of provident funds and community funds. At present, most of the joint capital enterprises in Tianjin municipality adopt the former method, which can be considered the basic method. A small number of enterprises adopt the latter method, which prevails nevertheless in some localities. For example, a number of joint capital enterprises in Tanggu locality practice the system of repayment of share-capital.

Third, the mode of distribution of profits of joint capital enterprises are many and varied. Some integrate the method of fixed wages (time wages or piece-rate wages) and that of dividend-sharing. Wages are fixed in line with the skills and contributions of individual laborers, with the high end monthly wages being 200-odd yuan and the minimum being 50 yuan plus. This widens the wage difference and embodies the principle of more pay for more work. The amount of dividend shared is relatively great. For example, the Fuxing Beverage Factory of Xiaofuzhuang village, Ji County, was operated with the joint capital raised by 20 peasant households, with each household investing 500 yuan, and employed 36 households (relatives and children of shareholders) to take part in production work. Dividends for each share in 1983 were 6,000 yuan, whereas the fixed annual wages of a worker was 1,000 yuan; share dividend was thus five times the wages.

Some adopt the method of integrating fixed wages, share-dividends, and labor bonuses. Compared with the above method, this method includes one more element: labor bonus. It should be noted that a labor bonus is not distributed equally among the people, but according to an individual laborer's wages; i.e., laborers with a higher level of skill and higher wages get more labor bonuses and vice versa. This method eradicates the procedures of assessment and reward and avoids the trouble which may be brought about by these procedures. The key to the successful implementation of this method is whether wages are fixed reasonably. However, the absolute amount of share dividends issued by enterprises which adopt the method of a labor bonus is still very large. For example, the Chuipinghu Canned Food Factory, Mashenqiao Brigade, Ji County, was established with joint capital of 2,000 yuan (500 yuan per share) by four peasant households in 1983 and employed a number of peasants in the same village. The average monthly salary was 45 yuan, plus a bonus of 10 yuan (totaling 55 yuan). The year-end profit was distributed in the proportion of 3:3:4; i.e., 30 percent as accumulated fund, 30 percent as share dividends, and 40 percent as labor bonus. In 1984, the profit of this factory was 72,000 yuan. According to the above proportion, the labor bonus amounted to 28,800 yuan, the share bonus 21,600 yuan, and the accumulated fund 21,600 yuan. As the number of employees was great, the average per capita labor bonus was 230 yuan, while the dividend per share was 5,000 yuan, more than 20 times higher than the labor bonus. When it is noted that the accumulated fund is to be owned by investors, the difference between the income of laborers and that of investors can be seen to be even wider.

Joint capital enterprises pay relatively high wages to technicians they employ. The Chaiierzhuang Beverage Factory of Chutuling, Ji County, employed a technician from Quyang County of Hebei Province and paid him a monthly wage of 100 yuan in addition to expenses for his food and drink. Moreover, the technician drew 0.03 yuan for every bottle of beverage he produced (according to the estimate at that time, the net profit of each bottle of beverage was 0.06-0.07 yuan). The woodwork factory of Mashihe, Balitai, south suburb, paid a technician a monthly wage of 240 yuan.

Fourth, the employment systems of joint capital enterprises are also many and varied. The joint capital enterprises in the rural areas in Tianjin

municipality adopt three employment systems. The first system is that all work is done by the investors themselves and no other people are employed. The second system is that work is basically done by investors, and when extra laborers are required, shareholders' relatives and children will be employed, with the number in proportion to share-capital. The third system is that, apart from the investors, their relatives, and children, some other peasants are also employed (some enterprises are employing as many as 150 people). The methods of employment are also varied. Some enterprises require people to work together in factories, paying either time wages or piece-rate wages. This method is adopted by most enterprises. Some enterprises employ individual workers to do processing work at home and pay them on piece-rate basis. For example, the Huazhongshu Sewing Factory of Nanfuying village and south suburb adopted the method of distributing processing work to different households. There are more than 20 processing points in the village. For each purse processed, a wage of 0.13 yuan was given. This method gives full play to the enthusiasm of every household and saves the investors expenses on premises and facilities.

All these facts show that the modes of operation adopted by joint capital associations in the rural areas of Tianjin municipality are really different from what we had in the past when we insisted that all means of production should be owned by the public, allowed no private ownership, allowed only distribution according to work, and allowed no share-dividends or labor bonus. The present type of joint capital enterprises conforms with the development of productivity in the rural areas and the ideological level of peasants and this is more acceptable to peasants, for such enterprises are full of strength and vitality.

II. The Role Played by Joint Capital Associations in Speeding Up Rural Economic Development

Peasants' joint capital associations emerged because there was a need to meet the demands of large-scale industrial and sideline production, large-scale processing of farm and sideline products, and large-scale provisions of other services. This kind of joint economy overcomes the limitations of the contract system by individuals and plays an important role in mobilizing peasants' idle money, concentrating human and material resources, and invigorating the rural economy. It provides a new channel for peasants to establish a better form of cooperative economy. Therefore, we should attach great importance to the development of peasants' joint capital economy.

First, establishing joint capital enterprises is an important way to mobilize idle money in the rural areas and to realize expanded reproduction.

The development of rural area construction in our country and the shortage of funds constitute a contradiction. Following the growth of the economic strength of the state, it is of course completely necessary for the government to allocate more money to finance rural area construction. However, such allocations are always limited. The funds required by the rural areas for social construction, apart from being financed by the state, should be mainly provided by peasants themselves by tapping their own potential. Practice over

the past few years has proven that the restructuring of the rural production mix and the operation of industrial and sideline production can be carried out with the capital raised by peasants, without the support or investment of the state. This has not only reduced the expenditure of the state, but has also increased its revenue through taxation. Therefore, at the present stage, joint capital enterprises serve as important channels for concentrating and generating funds and constitute an important way to realize expanded reproduction in the rural areas.

Pooling capital to start business is common in capitalist society. The bourgeoisie, through issuance of shares and establishment of share-capital companies, pool large amounts of idle money from the community, including the workers' limited savings, and establish large-scale enterprises such as railway companies, banks, and industrial and mining undertakings. This has promoted economic development and is still a common practice at present. Under the socialist system, it is also completely necessary to pool capital to accumulate funds and speed up socialist construction. The practice of pooling capital in recent years in China has proven that this is an important way to accumulate funds. It can be applied to rural areas as well as urban areas. Under the condition in which socialist public ownership is in the predominant position and state-owned funds are in absolute control, it is practicable to accelerate the socialist modernization program by extensively pooling capital from society.

Second, pooling capital for industrial and sideline production creates employment opportunities for the surplus labor force in the rural areas and makes it possible for some competent people to lead a greater number of people toward common prosperity.

Joint capital enterprises help create more employment opportunities and put the labor force under the leadership of able people. Therefore, they have a wide scope for business and, if well managed, will ensure that labor can bring about riches. Thus, it is heartily supported by the broad masses of peasants. Many examples can illustrate this point. Xingye Wooden Furniture Company of Chaochanghe village, Xiaozhan County, south suburb in Tianjin municipality is an example. The factory was founded in 1983 by 10 peasant households who jointly invested 14,000 yuan. Under competent leadership, the enterprise was very successfully operated. During the past 2 years, the fixed capital amounted to 260,000 yuan and it had relatively high productivity. Peasants' income was continuously raised, the annual income per peasant was about 1,700 yuan, and some people earned over 2,000 yuan per year. Leading cadres of the enterprise were given 300-500 yuan annually, in addition to the average wages, as an allowance for their extra duties. By doing so, a small number of rich people help a greater number of people to become rich.

Third, all types of joint capital enterprises provide a necessary way for the gradual realization of a cooperative economy.

Since the implementation of the system of contracted responsibility for production with remuneration linked to output in the rural areas, productivity

has been further emancipated and peasants' enthusiasm in developing production has been mobilized. However, in the long run, small-scale production based on a single household is not in line with the further development of productivity. Therefore, the implementation of new joint capital associations is an inherent demand of the economic development in the rural areas.

The various types of joint capital enterprises in the rural areas in Tianjin municipality are, to a certain extent, different from the principle of cooperative economy in a general sense. This is because the levels of economic development in the rural areas of China are uneven. More importantly, the abilities, skills, and wages of individual peasants are greatly different. Therefore, it is inevitable that the various links, particularly the link of distribution, in joint capital enterprises, should allow some differences. At the present stage, all the different forms of joint capital enterprises are acceptable to people from different sectors and will play a positive role in promoting the development of productivity. Only when we join together in various different forms can we gradually lead the peasants to a better form of cooperative economy on the basis of developed production.

All the above points demonstrate that the emergence of peasants' joint capital enterprises conforms with the law of rural economic development. The promotion of this law will exert a far-reaching influence.

III. Probing Some Problems Regarding Rural Joint Capital Enterprises and Recommendations

Joint capital enterprises in the rural areas are still in their early stage of development and many problems are yet to be studied.

First, there are problems regarding the direction of production and operation of joint capital enterprises in the rural areas.

The problem of the direction of production and operation of joint capital enterprises in the rural areas refers to the problem of whether the processing of industrial products or the processing of local farm and sideline products and the development of natural resources should be taken as the key line of development. At present most joint capital enterprises in the rural areas are engaged in the production and processing of industrial and sideline products, and very few are engaged in processing farm and sideline products. We have investigated 25 joint capital enterprises in Linghe, Wuqing, Ji County and the south suburb, and only 4 of them were engaged in processing local farm and sideline products and exploiting local natural resources. Although such a situation is conducive to the transition of the rural production mix from unitarily agricultural to a diversified agricultural-industrial-commercial mix, a gradual transfer to processing farm and sideline products and exploiting and utilizing local natural resources should be an important direction for the operation of the joint capital enterprises in the rural areas. This is an important question regarding the development of the rural commodity economy in order to serve the plantation and breeding activities. We should proceed from reality and provide necessary

guidance suited to local conditions. Suburban areas near the cities can operate more industrial processing, while counties and localities far from the cities should take processing farm and sideline products and exploiting and utilizing natural resources as the major work. This is for the long-term good. Of course, such guidance work should be planned and be carried out step by step and should not be conducted with coercion.

Second, there is the problem of the technical reform of joint capital enterprises in the rural areas.

Equipment used by the joint enterprises in the rural areas is old and technically backward, and most has been discarded by urban industrial enterprises through equipment renewal. They consume much energy and cause serious pollution, not only upsetting the ecological balance, but also harming the physical and mental health of the peasants. The present good economic effects of joint capital enterprises are attributable to the long work hours and intensive labor of the peasants. Therefore, questions including technical reform and antipollution with regard to joint capital enterprises deserve our full attention. We should deal with these questions consciously right now and should not wait until problems heap up. On the one hand, we should further remove the peasants' worries over expanded reproduction, and encourage them to invest and adopt new technology. The key here is to formulate some stipulations and policies. This will enable the peasants' joint capital enterprises to have a clear idea of what should be done and what should not be done. On the other hand, urban industrial enterprises should, in view of the well-being of the community, act strictly in accordance with the state's regulations on not spreading high energy consuming and environment polluting old equipment to rural areas. Industrial and commercial administration and supervision should be enforced and the central authorities' relevant regulations should be followed strictly. We should also adjust the policy on the purchases and sales of the means of production, open the market for the means of production, and enable the peasants' joint capital enterprises to buy the necessary means of production, just as the state-owned industrial enterprises can. We can permit eligible joint capital enterprises in the rural areas, assisted by the relevant departments, to trade with foreign merchants and purchase new technology. This will be beneficial to the technological reform of the joint capital enterprises in the rural areas.

Third, there is the problem of the proportion of share-dividends of joint capital enterprises in the rural areas.

In recent years, the State Council's relevant documents have repeatedly stipulated that the cooperative economy should exercise distribution according to work, or mainly according to work and supplemented by a certain proportion of share-dividends. They have also clearly stated that the annual after-tax profit of cooperative enterprises should be distributed under four categories: provident funds, community funds, labor bonuses and share-dividends. Share-dividends must not exceed 15 percent of the share-capital, while the appropriate distribution proportion of other items is determined through negotiations among the cooperating members. In practice, share-dividends of some joint capital enterprises far exceed the above regulations.

How should we see and deal with this question then? My opinion is that share-dividends are a kind of reward for investors and too much share-dividend does not tally with the socialist principle. But under the present situation where state ownership is predominant, this is not to be feared too much. If agreed by the peasants, a slightly higher proportion of share-dividend will not affect the whole situation. Under the present condition, it is advisable to arouse the peasants' initiative with regard to joint capital. In the long-term perspective, too much share-dividend will not be beneficial to the consolidation and development of the joint capital enterprises. Therefore, we should study this question. We should try to come up with a practicable proposal.

Fourth, there is the problem of the ownership of reserve funds of joint capital enterprises in the rural areas.

At present, many joint capital enterprises do not put aside reserve funds. We understand the reason is that some of them are afraid of changes in future policies. Another reason is the easy availability of credit and loans in the rural areas in an earlier period.

Although some enterprises have put aside reserve funds (some as high as around 30 percent), the reserve funds of many enterprises belong to the investors only, while the peasants who merely supply labor have no share in it. The state clearly stipulates: "All enterprises obeying the principle of individual willingness and mutual benefit among the laborers, accepting the state's planned guidance, practicing democratic management, drawing public reserves, collectively owning reserve funds, exercising distribution in accordance with work or mainly in accordance with work but with a certain proportion of share-dividend, will be regarded as socialist cooperative economy." ("Certain Regulations on the Present Rural Economic Policy," 2 January 1983) The January 1984 "Circular by the CPC Central Committee on Rural Work" also stipulates: "Among enterprises presently employing more laborers than stipulated, some have systems that differ from private enterprises. For example, they retain a certain proportion of reserve from the after-tax profit as a collectively owned asset, have regulations governing the limit of share dividend and owners' income and give the laborers a certain proportion of the profits as return for labor, etc. To a certain extent, they contain elements of the cooperative economy. We should assist them to continue their perfection and elevation. We can treat them not as capitalist employment business." Both of these documents regard the question of whether the joint capital enterprises are drawing reserve funds or not and the ownership of reserve funds as an important factor in determining whether they are private enterprises or cooperative enterprises and whether they use employed labor or mutual-aid labor. Hence, this question is very important with respect to both theory and practice. This should be an important factor to consider when formulating policies on the different varieties of joint capital enterprises.

I think this is a more important question that we should make an effort to solve at the present, as compared to the questions such as share-dividend and the high incomes of enterprise owners. We should abide with the central

authorities' regulations and request the enterprises to draw reserves. We should stipulate that the reserve funds should be owned collectively by laborers as public asset and they should not belong to the investors personally. Otherwise, they will be treated as private enterprises. This demand is reasonable. The investors, besides enjoying higher wages and share-dividends, should not demand ownership of the reserves themselves. If we can strengthen our guidance and do a good job, the investors will readily accept this. Implementing this requirement will be beneficial to the development and consolidation of the enterprises. Other questions can be solved step by step in future when conditions are ripe.

The above questions are important economic questions. With the development of joint capital enterprises in the rural areas, more and more new situations and problems will arise. This requires that we investigate the real situations constantly in order to solve our problems as soon as possible.

/6091

CSO: 4006/1089

ECONOMIC MANAGEMENT

PAPER NOTES IMPORTANCE OF TRADE, INDUSTRY INTEGRATION

HK020855 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 86 pp 7-11

[Article by Chang Fengchen [2490 7685 5056], edited by Lin E [2651 6670 0689]: "Integration of Industry and Trade Is the Only Way for Open Policy"]

[Text] To achieve integration of industry and trade is an important content of restructuring the economic system; this question is now being noticed and studied in the big municipalities throughout the country. In order to cope with the needs of the open policy and accelerate the speed of restructuring the economic system, Qingdao municipality began in 1982 to set up trial points to integrate industry and trade. It has established three integrated bodies of industry and trade--namely, the Qingdao Textile Joint Import and Export Company, the Qingdao Beverage Import and Export Company, and the Qingdao Rubber Products Import and Export Company--with over 70 member factories. In view of the actual situation, the procedure of integrating industry and trade is very difficult; there are numerous questions in the course of reform and there are several lessons to learn. However, both positive and negative experiences prove that integration of industry and trade is the only way for the open policy.

I. Integration of Industry and Trade Is an Important Prerequisite for Opening Up the International Market and Developing Our Country's Social Productivity

In the final analysis, the proposal of the principle of enlivening the domestic economy and adopting the open policy toward foreign countries is based on the nation's current standard of the development of the productive forces. Our objectives and tasks of adopting the open policy are to utilize both the domestic and international market to incessantly improve and develop the social productive force. Integration of industry and trade can effectively link these two markets and enable the enterprises to, by means of conducting economic activities with foreign countries, broaden their horizons, undergo training, and achieve improvement. The "Qingdao Textile Joint Company" allowed its member factories to participate in its business activities, whether they were talks with foreign enterprises or promotional trips abroad; it even allowed the member factories to send representatives to be stationed in the company and to participate directly in the company's various economic activities, thus enabling the production enterprises to gain better

understanding of the international market. Practical experience has proved that the production enterprises' degree of understanding of the international market is closely related to the percentage of economic returns of foreign trade and export. In 1984 and when compared to the "Foreign Textile Company," the commodity circulation cost of the "Qingdao Textile Joint Company" was 1.49 percent lower and the foreign exchange production cost was 0.44 yuan lower. Since the Qingdao Beverage Import and Export Company carried out business activities with foreign countries, there were direct dealings between the enterprises and the customers, communication feedback was fast, sales volume was expanded, and its adaptability to the international market has been strengthened. Two years ago, some customers in the United States said that the packing of 2 dozen big bottles of beer was too heavy, affecting its sales in the U.S. market. The company then arranged for the production of 17,000 boxes each containing 1 dozen big bottles of beer last June, and the customers were very satisfied.

In order to cope with the various demands of the international market, we must quicken our pace in foreign economic activities. Integration of industry and trade reduces indirect links and effectively improves efficiency of work. For instance, there is a time limit for storage of beer and similar products; despite that Qingdao beer can be kept good for half a year under room temperature, the fresher the beer, the better the taste. The prolonged transportation period for export to Europe and the United States was a difficult question to resolve in the past. However, obvious improvements have been made since the Qingdao Beverage Company started to deal directly with foreign business and strengthened management.

The other objective of the open policy is to absorb advanced technology from abroad and incessantly improve the quality of enterprises and products. Integration of industry and trade can effectively give play to this role. Actual experience has proved that integration of industry and trade must always be accompanied by integration of technology and trade and that the latter can consolidate the development of the former. The two complement each other. The Qingdao Beverage Import and Export Company made use of integration of industry and trade to launch integration of technology and trade, the foreign merchants took the initiative to provide equipment for examination and analysis, solved the question of reducing air content in the bottle, increased the proportion of carbon dioxide, and resolved the questions that had remained pending for several years. The "Qingdao Textile Joint Company" has, by means of launching integration of industry and trade, assisted member factories to renovate 405 sets of corduroy spinning machines, renew 372 sets of cotton spinning machines, and repair an area of 4,000 square meters of storage space.

It is also possible to cultivate and train people in knowledge of production and foreign trade by means of integrating industry and trade. When industrialists have acquired knowledge on foreign trade business, they would also have knowledge of both production and foreign trade, and this is extremely beneficial to adopting the open policy. Integrated bodies of industry and trade have attached considerable importance to cultivation of talented people and have always selected and recommended management personnel from various

departments such as business, financial accounting, manufacturing, transportation, and so on to attend training classes organized by the foreign trade departments or invited people from the foreign trade departments to give talks to these responsible persons. Thus, they were able to cultivate a batch of skeleton staff to handle foreign trade work in a relatively short time.

II. Integration of Industry and Trade Must Be Accompanied by a Complete Set of Reforms to the Current Economic System

Although integration of industry and trade is feasible generally speaking, it is practically inappropriate under the present circumstances in which the economic system has not been reformed in an overall way. Viewed from the angle of integration of industry and trade, many questions seem reasonable and feasible; however, we have always been disappointed due to certain restrictions in the current system. We are faced with a very practical problem: Integration of industry and trade cannot be carried out alone, but a complete set of reforms to the current economic system is needed. Only by so doing can we provide good external conditions for integration of industry and trade to adapt to and speed up the open policy.

A. As far as the foreign trade system is concerned, we should mainly include trial points of integration of industry and trade into the reform of the foreign trade system, giving them the same treatment as the foreign trade enterprises. The purpose of this is to compare the integrated bodies of industry and trade with the foreign trade enterprises, find out which system suits the actual situation of China, and further specify the direction for reform in the foreign trade system. We must promptly work out a solution to the several questions that follow:

1. The question of handing over foreign clients. Since liberation, our nation's foreign trade has basically been handled only by the foreign trade departments and numerous international clients have been secured. Since the establishment of the integrated bodies of industry and trade, the foreign trade departments should hand over to the subordinate member factories their original clients. If we do not resolve this question, activities of the integrated bodies of industry and trade will be restricted due to the question of market and will not be able to display their superiority.

2. The question of participation in trade with countries that abide by trade agreements. It is stipulated in Document No 5, 1985 issued by the State Council that trade talks with countries that abide by trade agreements conducted by the foreign trade subcompanies concerned, companies integrating industry and trade, and production enterprises are to be centrally organized by the General Import and Export Company. However, this question is not yet completely settled. Companies integrating industry and trade are joint enterprises that possess better production conditions; they are capable of shouldering export tasks to countries that abide by trade agreements. Moreover, the economic results are very good because large quantities of goods are produced, prices are high, and the proportion of intensive processing is large. We should give full play to this superiority in order to gain the faith of countries that abide by trade agreements.

3. The question of export quotas. Taking the "Qingdao textile joint system" as an example, its export volume has doubled since its establishment but the export quota allocated to it by the Ministry of Foreign Economic Relations and Trade remained the same as that of 1982. In 1985 in particular, China's textile export quotas to the United States were increased by a large percentage, but the "Qingdao textile joint system" was not even given a quota of an extra meter of cloth or an extra dozen knitted products. This has seriously affected the "Qingdao textile joint system" in its opening of markets abroad. In my opinion, the allocation of export quotas should be based on three conditions: First, the proportion of export and favorable condition of ports; second, export of superior quality goods and commodities that are able to open up markets should be encouraged; third, it is necessary to appropriately allocate quotas to enterprises integrating industry and trade and foreign trade enterprises and strive to give preferential treatment to the former.

4. The question of trademark. According to reflection made by the Qingdao Beverage Company, trademarks registered by the foreign trade departments overseas have not yet been handed over to the integrated bodies of industry and trade. As a result, the trademarks abroad are registered in accordance with the products of enterprises integrating industry and trade but they are indiscriminately used by enterprises that do not belong to the integrated bodies of industry and trade; the quality of products does not meet the standard, thus ruining the reputation of the brand in the international market. I think that the trademark is the reputation and should follow the product. Registration of an enterprise or product should only belong to that particular enterprise or product. We must not arbitrarily retain or transfer the registration in order to ensure the truthfulness and seriousness of the trade registration.

B. The crux of the financial system lies in resolving the question of disconnected channels and usage of capital. In accordance with information reflected by Qingdao's No 1 knitting factory, capital for manufacturing of export products is managed by the Bank of China while capital for the production process is managed by the Bank of Industry and Commerce, and this has seriously affected production. In my opinion, it is necessary to work out a scientific method of management for use of capital. First of all, it is necessary to promote a comprehensive balance and smash division of departments, and take the overall situation into account. Only transferring credits that have been deposited into the Bank of China to the Bank of Industry and Commerce does not mean reducing credits or increasing capital. Second, when we place orders from foreign countries, the foreign merchants only require the certificate of credit of the Bank of China to have the goods delivered and never demand payment in advance. When the Bank of China demands full payment of cash deposit in advance, it only implies that the foreign merchants trust the Bank of China but that the Bank of China does not trust the enterprises and the Bank of Industry and Commerce. We are only creating restrictions for ourselves by so doing. Third, payment is sometimes made prior to the delivery of goods. Although this increases the interest income of the banks, the production cost of the enterprises is also increased and the enterprises' returns are lowered. This financial management

method is detrimental to integration of industry and trade and to the improvement of economic results.

C. As far as the financial system is concerned, we must mainly resolve the question of checking and ratifying the foreign exchange production cost and the question of overall financial accounting. The reasons are: First, since central finance and local finance have been separated, the local financial departments must take the risk of changes of the foreign exchange rate in the international market and instability of prices. All this affects local financial revenue and thus the local financial departments are reluctant to implement overall calculation of international price of exports. Second, the enterprises are unable to bear the drastic changes of the tax rate in the international market. Third, the checking and ratification of the foreign exchange production cost is very irrational. For the past several years, there have been great changes in the foreign exchange rate, but the contracted foreign exchange production cost has remained unchanged. As a result, the foreign exchange production cost ratified by the foreign trade enterprises tends to be relatively high and this is difficult for motivating the export initiative of enterprises integrating industry and trade. Fourth, the question of subsidies to differences of the foreign exchange production costs. Regarding the integrated bodies of industry and trade, due to the changes in the international markets and increasing prices of raw materials, we must not only appropriately readjust the foreign exchange production cost, but the central financial authorities should also give subsidies for the differences between the actual foreign exchange production cost and the ratified foreign exchange production cost caused by objective factors in the same way as they subsidize the foreign trade enterprises.

Before we carry out big reforms to the general financial system, we must support and give subsidies to enterprises integrating industry and trade. The specific implementation can be carried out in a planned way according to different situations. We can ratify the foreign exchange production cost of enterprises integrating industry and trade that are able to reach the standard and carry out appropriate readjustments in accordance with the changes of the international market. Regarding the enterprises integrating industry and trade that are unable to reach the ratified foreign exchange production cost, the difference between the actual foreign exchange production cost and the ratified foreign exchange production cost can be totally subsidized by the central financial authorities for the first 2 years, or allow the enterprises to contract for the planned amount of subsidy so that they can be solely responsible for the surplus or deficits; a planned amount of subsidy can be achieved for the following 3 years which is to be shared by the local and central financial authorities in the ratio of four to six; the enterprises should be able to take up sole responsibility for their own profits and losses from the next 5 years onward and should be able to accommodate the differences. This method of gradual transition enables the enterprises integrating industry and trade to gain development because of actual but not verbal support.

D. The price system must also carry out reforms accordingly. The basic trend of reform is that the domestic prices get closer to the international

prices and that the two prices can be hooked up in order to reduce state subsidies, improve export results, and create better conditions for enterprises integrating industry and trade to be responsible for their own profits and losses. The specific method of hooking up domestic and international prices is that prices of export products to the international market are to be fixed in accordance with the prices of the international market; prices of products that are both sold in the domestic market and exported to foreign markets are to be fixed in renminbi in accordance with the export price; prices of imported products sold in the domestic market are to be fixed in renminbi in accordance with the exchange rate for imports plus tariff; prices of similar domestic products are to be fixed in accordance with such prices. We should gradually reduce the price difference between the domestic and international markets by means of reforms in order to create conditions for enterprises integrating industry and trade to achieve overall calculation of international prices of imports and exports.

III. It Is Necessary To Proceed From the Actual Situation To Achieve Integration of Industry and Trade and Choose Multiple Forms

Integration of industry and trade includes both integration of technology and trade and integration of import and export. It is hard to find an ideal unified form; we must proceed from the actual situation of various cities and implement multiple forms with different characteristics.

1. We may implement both close integration and loose integration. Close integration means that several member factories can form an economic body and carry out unified accounting and this may exist as a first class legal body. Loose integration means that the enterprises carry out partial integration to deal with foreign business in accordance with export needs. Any form of integration, whether close or loose, should implement the principle of voluntary participation and must never implement forced matching or combined administration. At present, the three integrated bodies of industry and trade established in Qingdao city belong to the type of close integration but are basically joint in accordance with administrative measures. If possible in future, it is necessary to carry out reintegration in accordance with the above principle and the actual situation. We must on the one hand allow enterprises to join integrated systems of industry and trade of the related business and on the other hand allow them to join other integrated systems and carry out direct export in the foreign trade departments or in other ports.

2. We may implement both integration of industry and trade with the main emphasis on industry and integration of industry and trade with the main emphasis on foreign trade. Integration of industry and trade with the main emphasis on industry mainly means that the industrial departments run foreign trade business as well and their products are mainly for the domestic market, with only a small portion for export; domestic products are accorded a higher priority than export products and the domestic market is to be speeded up by exports. Integration of industry and trade with the main emphasis on foreign trade means that the foreign trade enterprises run industries and produce export products in accordance with the demands of the international market.

This kind of integration of industry and trade enhances the products' adaptability and flexibility in the international market.

3. We may implement integration of industry and trade both in the form of agent and in the form of partnership business. The agent system is a relatively common form of integrating industry and trade--the foreign trade enterprises are entrusted by industrial enterprises to carry out foreign trade and the industrial enterprises are responsible for the expenses incurred; the task of the foreign trade enterprises is to sign contracts with the foreign merchants and act as a medium, not bearing any liabilities. The system of partnership business is another common form of integration of industry and trade--the foreign trade enterprises and the industrial enterprises join as partners to do business; they share the same liabilities and interests. As far as the extent of cooperation is concerned, some are limited to marketing, while others are involved both in production and marketing of products.

4. We must allow industrial enterprises to directly enter the international market. However, we must exercise strict control at present on this kind of integration of industry and trade. In order to deal with direct export, the production enterprises must possess the following conditions: 1) The production enterprises occupy an important position in export business, their production output of export products should account for at least 20 percent of the total production output, and over 50 percent of raw materials and means of production should be imported from abroad; 2) they should undertake the state's mandatory export foreign exchange tasks; 3) they should possess the establishment, capital, and cadres for launching foreign trade business. The number of enterprises possessing these conditions will be on the increase among the various big cities throughout our country, and this kind of integration of industry and trade will definitely gain great development.

IV. Integration of Industry and Trade Must Be Based on Increasing the Activities of the Enterprises

The mere initiative of the foreign trade departments is insufficient for promoting the open policy and developing foreign trade business; it is more important that we give play to and motivate the initiative of the production enterprises, change the factories' passive attitude of being unconcerned and aloof to foreign trade, and turn the factories into progressive bases of the open policy.

1. It is necessary to adopt positive measures to link foreign exchange output with interests of the enterprises. At present, we should adopt the following encouraging policies and methods: 1) It is necessary to accordingly readjust and increase the enterprises' proportion of foreign exchange in accordance with the situation of the fulfillment of the foreign exchange output plan. The state now stipulates that only 25 percent of foreign exchange is to be shared in the ratio of 1 to 1 between the province and the cities, which is then shared in the ratio of 4 to 6 between the city and the trades, and again equally shared between the trade and the enterprises. As a result, the

enterprises can only be given a proportion of 3.75 percent of foreign exchange. This method of foreign exchange division deprives the enterprises integrating industry and trade of the capacity of paying foreign exchange for imported raw materials. Thus, we suggest that in future when the state assigns mandatory foreign exchange output plans to the export enterprises, it should increase the proportion of foreign exchange in enterprises that can satisfactorily fulfill the plan, the enterprises should be given 25 percent or even more. 2) It is necessary to rationally share the profits among the members of the integrated bodies of industry and trade. When the enterprises gain profits, the integrated bodies of industry and trade will be able to generate a higher centripetal force. 3) We suggest that the state establish an honorary list of export enterprises and an encouragement fund for foreign exchange output, giving both spiritual and material encouragement for the enterprises to produce more export products and earn more foreign exchange income. 4) As far as enterprises that earn more foreign exchange income each year but of which the achieved profits are reduced by a large percentage are concerned, it is recommended that the central financial authorities withdraw their accounts and that the provincial and municipal authorities give appropriate subsidies to resolve the question of reduced retention of profits in the enterprises. The specific measure is to maintain the basic standard of retention of profits ratified in the second stage of replacing profits submission with taxation.

2. It is necessary to incessantly improve internal management and implement a strict and scientific method of checking and ratification. We must gradually establish the following systems of management inside the integrated bodies of industry and trade: First, a rational accounting system. The form and system of accounting inside the integrated bodies must never be rigid, and we should use various methods that suit the actual situation in order to promote the internal situation of the integrated bodies. Second, we must establish a system of regular analysis of stored products. On the basis of regular analysis and clear responsibilities, the bank can assess the proportion of capital used for the profits and supply capital in a planned way, in accordance with the actual needs for production and the production of exports. The enterprises should be charged extra interest for capital used beyond budget and should be imposed credit sanctions for blind production. Third, we must establish a scientific examination system. We must not take the foreign exchange production cost as the sole criterion for assessing the situation of integration of industry and trade, but must examine various comprehensive standards. We must attach primary importance to making foreign exchange income which indicates the overall interest of the state; second, we must examine the quality of products and the rate of fulfilling contracts to ensure the life and reputation of the products; we must also examine the foreign exchange production cost and the achieved profits. This can enable the enterprises integrating industry and trade to improve economic returns in an overall way.

3. It is necessary to improve the quality of the enterprises and tap the internal potentials of the enterprises. In view of the competition of the international market and the situation of the open policy, the quality of the enterprises integrating industry and trade face the following challenges:

1) Feedback must be accurate, sensitive and fast. 2) It is necessary to make more efforts on establishment of the staff force. Apart from cultivation of staff in actual work, we should also transfer and recruit certain skeleton workers from the foreign trade departments who have production and foreign trade knowledge in order to cope with the needs of the open policy. 3) It is necessary to promote intensive processing of products.

The CPC Central Committee's proposal on the Seventh 5-Year Plan pointed out that we should accord first priority to reforms. We believe that the path of reform of integration of industry and trade will definitely become broader and will play its role in the work of opening up to foreign countries.

/6091

CSO: 4006/1089

ECONOMIC MANAGEMENT

ISSUES IN PRICE REFORM DISCUSSED BY INSTITUTE DIRECTOR

Shanghai SHANGHAI JINGJI [SHANGHAI ECONOMY] in Chinese No 3, 15 Jun 85 p 5

[Article by Xu Zhihe [1776 0037 3109], director of the Institute of Departmental Economics of the Shanghai Academy of Social Sciences: "Critical Issues Concerning Price Reform"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the state has already carried out some adjustments and initial reforms on prices. This has played a considerable role in the development of the national economy. However, the current price system is still irrational. Not only does it obstruct the improvement of economic results, but it also is unfavourable to the reform of the economic system and the implementation of the policy of opening to the outside world. It is extremely unfavorable to developing the national economy in a harmonious fashion and to meeting the needs of people's livelihood. The time has come when we must carry out reform in order to advance. At present, we have decided to basically handle the price system properly within 5 years. Since 1985 is the first year of the reform of price system, taking into consideration the financial capability of the state, the absorption capability of the enterprise and the endurance of the masses, the State Council has decided to adopt the policy of combining relaxation with adjustment and taking small steps forward. Meanwhile, it is necessary to proceed from reality and implement the principle of "upgrading and downgrading" in an effort to stabilize commodity prices as a whole. In his report on the work of the government at the Third Session of the Sixth National People's Congress, Premier Zhao put forward four main issues and five measures of guarantee for the price reform in 1985. Currently, the various localities are conscientiously implementing the above. In order to take the important step forward properly in the price reform, I feel that we must also attach importance to the following issues.

I. After implementing fixed procurement by contract of grain and cotton and relaxing the price control over other agricultural sideline products, we should offer guidance to the peasants. The rural areas are not properly informed about the domestic and foreign markets. The peasants must gradually adapt to market production. Without guidance, blindness may appear in the restructuring of the agricultural production structure, which will result in economic losses. In the grain and cotton producing areas, the state monopoly of purchase and sales is replaced by preferential prices and protective prices

according to contract. This may lead the problem of reduction of the peasants' income, which may affect the enthusiasm of the peasants. The increase in the non-staple food prices may lead to the increase in relevant prices, resulting in indiscriminate price increases which may affect the people's livelihood. We must anticipate these circumstances and adopt some measures in advance to avoid them as best we can.

II. With the increase in short-distance rail transport charges, the demand for water and highway transport will increase. Currently, the highway conditions are still poor, with a shortage of motor vehicles to meet the demand. Importation of motor vehicles is necessary. The water transport facilities are obsolete and underdeveloped. Transformation and improvement are necessary. These situations will increase the burdens of state investment and foreign exchange. We must pay attention to and try our best to solve these problems.

III. The reform of the price system is the key to the reform of the overall economic system. We should handle properly the various relationships correspondingly. We must conduct thorough investigations and study, and strive to gradually set up a price system that is based on both values and the relationship between supply and demand. The price administration departments must control prices by observing the objective economic laws, and not by relying excessively on administrative decrees. We must truly allow commodity prices to go up and down and strive for a stability in the overall level of commodity prices. In particular, we must handle properly the relationship between the price reform and the wage reform. If commodity prices increase before wages increase, and commodity prices increase again after wage increases, followed by another wage increase, a vicious cycle will be formed, which will be difficult to cope with. We must coordinate the price index with the wage index and let the rate of growth of commodity prices fall behind the rate of growth of wages in order to ensure the continuous improvement of the people's standard of living.

IV. We must adopt some specific measures to strengthen price control. In addition to formulating relevant policies and laws of price control, we must also formulate detailed regulations on implementation in order to make the laws effective. The various enterprises must assign specific individuals to be in charge of price control and to guarantee the implementation of the state price policies. We must set up a system of clearly marked prices easy for supervision and inspection by the masses. We must set up a price suggestion box to gather information on acts of indiscriminate price inflation without delay and to investigate and handle these acts strictly. We must persevere in carrying out price supervision and inspection properly, and mete out rewards or penalties accordingly. We must find several typical cases of indiscriminate price inflation and deal heavy blows to them in order to educate the cadres and masses.

9335

CSO: 4006/555

FINANCE AND BANKING

PREREQUISITES FOR SHANGHAI TO BE FINANCIAL CENTER DISCUSSED

Shanghai SHIJIE JINGJI DAobao [WORLD ECONOMIC HERALD] in Chinese 23 Sep 85 p 9

[Text] "Appropriately adding financial institutions is a key prerequisite for Shanghai to become a financial center and a necessary step to break the monopoly of credit business. It is also an important link for invigorating finance and utilizing funds well." The above is unanimously indicated by the personages of the Shanghai's financial circle in an interview with our reporters.

The specialists told the reporters that the central authorities had pointed out before that "we should establish a socialist financial system with the central bank as the center and the specialized banks as the main bodies and with the coexistence of diverse financial institutions." As we all know, the financial system is constituted by not a few but many financial institutions. As the most developed region of productive forces in the country, Shanghai not only should try by each and every means to raise more funds, but more importantly should effectively utilize the funds and flexibly allocate these funds. Therefore, for a future period, Shanghai should consider setting up various new financial institutions.

First, we should consider letting the former joint state-private banks of the Chinese banking groups in Hong Kong to set up branches in Shanghai. Currently, there are 13 Chinese bank groups in Hong Kong. Of these, some former joint state-private banks had established historical relationships with Shanghai and had established main offices in Shanghai before the "Cultural Revolution." They are the Xinhua, Jincheng, Zhejiang Xingye, Zhongnan, Guohua and Yanye banks. These banks have moved their main offices to Beijing in 1980. Their business in Hong Kong is especially flourishing. These banks all have more than 10 branches in Hong Kong. Some even have 20 branches. These banks have good credit and considerably large amounts of deposits. After being listed as an open city, Shanghai has become quite attractive to these banks, several of which have expressed the willingness to set up branches in Shanghai.

The specialists maintained that if we allow these banks to set up branches in Shanghai, we can utilize their current financial network and customer relations and the wide contacts with various large banks in the world to set up another channel for importing foreign capital and facilitating the expansion of the foreign trade export business, as well as obtain overseas

financial information without delay and invigorate the Shanghai financial market.

Second, the specialist proposed that we should allow foreign banks to set up branches in Shanghai for business. Among the 17 foreign banking agencies in Shanghai, some have already expressed the wish to do business in Shanghai. We should consider allowing a group of reputable banks in Japan, the United States, France, Italy, West Germany and other countries, which have had more contacts with us, to set up branches for business. The specialists pointed out that the entry of foreign banks will indeed cause some problems in administration and in business competition for the Chinese banks. However, letting more foreign banks do business in Shanghai has its positive impact. We can conveniently raise foreign funds nearby as well as bring in foreign investment through these banks. We can conveniently import and digest the advanced operational technology of the banks of various countries in the world. We can also, through practice, train our own qualified personnel in international financial business and foreign exchange management.

Third, we can consider setting up a national comprehensive bank in Shanghai. This has actually been approved by the central authorities. Our present problem is that, although we have begun our preparations, we are making slow headway. We must adopt more effective measures and change the ways and means of preparation to speed up project.

Fourth, some personages of the financial circle also maintained that Shanghai may set up a Shanghai City Bank or City Construction Bank. Its main duties are to absorb the idle capital in the city, to act as a collecting agent of local financial taxes, to issue local urban construction bonds, and to support the development of the local economy.

The specialists further indicated that, in light of the new economic situation, we should also further broaden the train of thought and untie our own hands and feet. Currently, the collective economy and individual economy are developing rapidly and are playing more and more important roles in the realms of production and circulation. The urban collective credit business should organize itself accordingly. We must set up "people-run" and not "official-run" urban credit cooperatives. Then, on the basis of having established several cooperatives, we should set up city-linked cooperatives, which will ultimately become the major force in the fund transaction between urban collective enterprises and the individual households.

In addition, to further invigorate the financial situation, we should consider setting up some non-bank financial institutions. These institutions include insurance companies, financial affairs companies, leasing companies, trust companies, investment companies and others. These financial intermediary institutions may be run by ministries, cities, or fraternal provinces. They may also be collective operations, joint operations, joint ventures or investments by Hong Kong businessmen. The establishment of these intermediary institutions will help raise the funds needed for local constructions and will also help attract foreign capital and invigorate the financial situation. These institutions should be put under financial administration by the People's Bank. The specialists maintained that, currently we can stress the

development of local, business and professional insurance companies and set up an old-age pension system. This will gradually distribute evenly the enterprises' burdens, safeguard the old-age livelihood of the staff members and workers, and accumulate huge funds for the state.

Lastly, these specialists, who are proficient in financial matters, pointed out that we must clarify the misunderstanding by some people, who always feel that more financial institutions will easily result in confusion and hinder the implementation of macroeconomic control. Bringing into play the roles of various types of financial organizations is an important link in the reform of the economic system, especially the financial system, and is a necessity for the four modernizations. It does not prevent the central banks from controlling the macroeconomy. The specialists indicated that the unified and centralized nature of financial work is quite strong. The formulation and implementation of the reform program for the entire financial system should be put under the unified consideration and planning of the state. However, Shanghai should take the lead in the reform of the financial system in light of the necessary limits of authority conferred upon it by the State Council as well as the spirit of the special policy relevant to it.

9335

CSO: 4006/402

FINANCE AND BANKING

QUESTION OF INFLATION DUE TO PRICE REFORM DISCUSSED

Beijing GONGREN RIBAO in Chinese 18 Nov 85 p 2

[Article by Wang Shimin [3769 0013 3046] of the Staff Ideological and Political Work Study Committee of the Propaganda Department of the Party Committee of the Shanghai Steam Turbine Factory: "Will the Reform of the Price System Result in Waves of Price Inflation?"]

[Text] Following the price increase of some commodities in the 4th quarter of last year, the prices of some commodities have increased again this year. Some of our comrades are worried that the reform of the price system may result in waves of price inflation. The emergence of this feeling is due to the following: First, some comrades have suffered from price inflation in waves in the old society. Second, in the 4th quarter last year, due to the lack of strict control over credit funds and consumer funds, the banks issued too much currency, which affected prices and brought about fear in people's hearts. The emergence of these worries is natural but unnecessary. This is because our reform of the price system is instituted under leadership and in a planned manner step by step under the socialist system and cannot possibly result in waves of inflation. The following are the reasons:

I. The reform of the price system and the widespread price inflation in waves are two essentially different matters. Before liberation, the widespread price inflation in waves in our country resulted from the corruption and improper system of the reactionary government, the undermining of production, the shortage of materials and the indiscriminate issuance of currency. However, our current reform of the price system is carried out under the terms of the development of production and the daily-increasing abundance of materials. The reform of the price system is a structural readjustment with the goal to handle properly the relationships by adjusting upward the prices of those commodities, the values of which are higher than the prices and the demand of which is higher than the supply, and by adjusting downward those commodities, the values of which are lower than the prices and the supply of which is higher than the demand. Thus, prices do move up and down and will not result in inflation in waves.

II. On the road of our reform of the price system, some temporary problems have arisen, but we have fundamentally implemented the following measures: 1) Strictly controlling the issuance of currency; 2) controlling the issuance

of credits; 3) controlling the investment in fixed assets; and 4) resuming the administration of wage funds this year. It has generally restrained the price inflation in waves.

III. The state is fully capable of withdrawing currency from circulation. Some of our comrades have heard that the state has issued more currency last year. They are somewhat alarmed and are worried that prices will go up when the amount of currency in circulation exceeds the real demand. Though we must not treat this problem lightly, we must not be panic-stricken. We should believe in the state's full capability to withdraw currency from circulation. In the early post-liberation period from 1949 to February 1950, the country experienced financial difficulties. The currency issued increased from 1.85 million yuan in 1948 to 300 million yuan in a short time, an increase of over 160 times. We remember that at that time one dan of rice, priced at 50,000 yuan in the daytime, went up to over 60,000 yuan in the evening. In spite of the severely difficult situation at that time, we still overcame our difficulty by implementing the following two measures: One was to sell "two whites, one black" (namely rice, cloth and coal) in large quantities, which controlled the prices of the basic consumer goods. Another was to issue the first construction bonds which totalled 120 million yuan. In the early 1960's, the country experienced great financial difficulties. An excess of 7.28 billion yuan was issued. At that time, the state carried out the following three measures. First, for 18 items of daily necessities (later increased to over 90), we adopted the measure of supply with voucher. Second, through selling pastries and candies at high prices and offering high-price dishes in restaurants, we recovered 1 billion yuan of currency. Third, the state controlled the amount of currency issued. The problems were eventually solved. Thus, although more currency was issued last year, it was only a problem in the midst of progress. Currently, it is not as difficult as in the past to withdraw the currency which has been issued in excess, and it is therefore unnecessary to adopt the previous measures.

At present, we have generally adopted the following nine measures to withdraw currency from circulation: 1) Producing more marketable high-quality and name-brand products; 2) vigorously developing the tertiary industries, especially developing non-commodity industries (such as the advertising business); 3) selling some marketable residential housing; 4) issuing more state treasury bonds; 5) selling small state-owned enterprises (this was originally a tentative plan in the economic reform); 6) properly enhancing the interest rate of savings deposits to encourage people to increase their savings; 7) reducing the group purchasing power by 10 to 20 percent less than before (restricting the purchases of high-grade consumer goods with public funds); 8) importing and selling some needed foreign high-grade commodities; and 9) supplying some gold for making jewelry to sell.

IV. The state can stabilize prices through state-owned commerce. In our country's economy, the system of ownership by all people is the main body, the collective is the assistant, and the individual is the supplement. The main economic lifelines are stably controlled by the state. The state has great strength. In 1984, the grain yield was 407 million tons, cotton yield was 6.077 million tons, and edible oil yield was 11.852 million tons. The country's abundant materials can be a powerful backing. The state-owned

commerce can fully play a powerful role in stabilizing prices. When prices were relaxed in a general scale in Guangzhou City, some prices went up by a margin in the beginning. But they were lowered afterwards. What were the reasons? On the one hand, the economic levers played their roles. For example, black carp, crucian carp and bream were priced at over 3 yuan per jin in the beginning. With an increase in production in the last 2 years, their prices have stabilized at around 1.5 yuan per jin. On the other hand the state is the backing. When the prices go up too much, large quantities of goods and materials are transferred from inland, which bring the prices down.

V. The State can also utilize economic, administrative and legal measures to strengthen control. For example, a shop in Shanghai buys ham at parity and sells it at a negotiated price. The ill-gotten gains, which infringed upon the interests of the consumer, have been confiscated, and the shop was imposed a fine. The manager was also discharged from his post.

VI. To solve the inversion of purchase and sale of agricultural sideline products, the implied subsidy is changed into obvious subsidy. That is, the state allows the increase in the sales prices of agricultural sideline products, and subsidizes the consumers with the money which was formerly used to subsidize the peasants. Some people are worried that this will cause a chain reaction of price inflation. In fact, this is merely a change in the form of subsidy which does not involve the increase of currency in society. Thus, it will not cause a price inflation in waves when the amount of currency in circulation exceeds the real demand.

9335

CSO: 4006/402

FINANCE AND BANKING

INSURANCE INDUSTRY DEVELOPMENTS REPORTED

Hong Kong JINGJI DAOBAO [ECONOMY REPORTER] in Chinese 1 Jan 86 pp 68-69

[Report by Special Correspondent: "New Progress in China's Insurance Business; an Interview with Qin Daofu, General Manager of the China People's Insurance Company"]

[Text] After China's insurance business has achieved good results continuously for 5 years, the insurance premium earnings have again increased by a relatively wide margin in the first half of last year. From January to June, the various insurance premium earnings of the China's People's Insurance Company totaled nearly 1.5 billion yuan, an increase of over 60 percent compared with the same period of the year before last. Of these, the domestic insurance premium earnings totaled over 1.1 billion yuan, an increase of about 82 percent compared with the same period of the year before last; the overseas insurance premium earnings totaled about \$120 million, an increase of about 33 percent compared with the same period of the year before last.

Recently, a reporter had an interview with Mr. Qin Daofu [4440 6670 1133], general manager of the China People's Insurance Company, who graciously replied to the questions posed by the reporter.

New Life in the Midst of Relaxation and Reform

General manager Qin Daofu said that the Chinese insurance business has become increasingly more vigorous in recent years. Up to the end of 1984, with the exception of Xizang and Taiwan, the China People's Insurance Company has established 2,100 branches in the nation's 28 provinces, autonomous regions and municipalities, with over 36,000 employees. In 1980, the total insurance premium earnings were 470 million yuan (including overseas business). In 1984, it increased to 1.98 billion yuan, an increase of 3.3 times with the annual growth rate of 44.68 percent.

He said: However, the development of the Chinese insurance business was not smooth sailing. It has traversed a tortuous road of development.

General manager Qin recalled that the Chinese national insurance business began in 1885. Today, it has enjoyed a history of exactly 100 years. Before liberation, the insurance business developed slowly because it suffered from longstanding suppression, exclusion and blows by foreign capital. At that

time. there were few national insurance companies, and the domestic insurance market was monopolized by foreign capital. Also, the companies were concentrated only in the several large coastal cities, such as Guangzhou and Shanghai.

In October 1949, the China People's Insurance Company was established. By the end of the 1950s, there were over 4,600 Chinese insurance organizations, employing over 50,000 staff and workers. However, after 1959, the Chinese insurance business was obstructed. With the exception of the overseas insurance business, which continued to operate, the domestic insurance business was closed down entirely. The situation continued to the end of 1979.

Since the end of 1979, with the implementation of the policy of opening to the outside world and revitalizing the economy domestically, China's insurance business has embarked on a healthy road of development. The business of the various branches of the China People's Insurance Company are expanding continuously. A new flourishing situation has appeared. By 1984, the insurance company has set up over 120 varieties of domestic insurance business, with a total of over 1.5 billion yuan in insurance premium earnings. That year, the insured enterprises totalled nearly 340,000, the insured households totalled 13.84 million, the insured motor vehicles totaled nearly 2 million, and the various life insurance participants totaled 2.876 million. The various provinces, autonomous regions and municipalities (all but Xizang and Taiwan) throughout the country have overfulfilled their year's plans.

The Abrupt Rise of Rural Insurance Business

General manager Qin said: Since the reform of the rural economic system, the insurance companies have handled the rural insurance business in order to develop rural commodity production and support the peasants in scientific farming. At present there are over 40 insurance items, including rural property, motor vehicles, freight transport, ships, fishing boats, animal-drawn carts, and the planting undertaking, breeding trade and others. By the end of 1984, the Chinese rural insurance values amounted to 95.7 billion yuan and the insurance premium earnings totaled more than 330 million yuan, showing respective increases of nearly 2.5 times and 2.6 times over the preceding year.

In light of rural reality, the insurance companies of various provinces and municipalities have handled many new insurance items since last year. For example, the insurance companies of Liaoning, Shanghai, Jiangsu, Hubei, Guangdong, Jiangxi and other places have tried out the fish-breeding insurance. The Yangxin County Insurance Company in Hubei Province has tried out insurance freshwater pearl cultivation. The Qingdao City Insurance Company in Shandong Province is trying out the cost insurance for kelp cultivation. This is welcomed by the local specialized households in aquatic product breeding. In the year before last, Jilin and Heilongjiang obtained an agricultural bumper harvest. The two provinces successively attempted to set up an insurance business in grain storage by peasants for the state in order to remedy the shortage of the state's inadequate grain storage capacity. Nearly 300,000 peasant households have taken out insurance, which totalled more than 1.6 billion jin of insured grain.

Qin said: Currently, the proportion of rural insurance premium earnings in the total domestic insurance premium earnings have increased from 12 percent in 1983 to 22 percent. This situation indicates that the structure of China's domestic insurance business is gradually moving from development of the urban business primarily and the rural business secondarily to simultaneous development of both the urban and rural businesses.

Rapid Development of Property Insurance

Qin told the reporter that the domestic property insurance business has developed significantly with the continuous development of China's national economy and the daily-improving standard of living of the people. With the deepening of the reform of the economic system, more and more state-owned enterprises, collective enterprises, rural and township enterprises and individual businessmen have taken out insurance. Particularly worth mentioning is the fact that after the state-owned enterprises have implemented management on their own and assumed sole responsibility for their profits and losses, participating in insurance plans has become a necessary business measure in assuming responsibility for the safety of the state's properties. Statistics show that the insurance premium earnings of domestic enterprise property insurance totalled 450 million yuan, a 20.5 percent increase over the same period of the year before last. By the end of June last year, over 196,900 state-owned, collective and individual enterprises in China have participated in property insurance plans, over 73,7000 were state-owned enterprises and over 41,700 were collective enterprises. These were the largest figures since Liberation.

Qin revealed that, in respect to insurance premium earnings, motor vehicle insurance has become the second biggest insurance item in domestic business in China in recent years. In the countryside the implementation of this business has provided economic insurance for losses resulting from accidents occurring during transport. It is greatly welcomed by the masses of specialized transport households.

General manager Qin said: In recent years, China's family property insurance and life insurance businesses have developed further. In the first half of last year, the insurance premium earnings of individual family properties totaled 30 million yuan, a 169.8 percent increase over the same period of the year before last, the insured urban and rural families totaled 11.76 million. The worker's pension insurance and simple life insurance of urban and rural collective enterprises, which are offered widely by various insurance companies, have increased. Some branches have also opened many other insurance policies, such as group life insurance, group personal accident insurance, additional medical insurance, highway-passenger accident insurance, ship-passenger accident insurance, air-passenger accident insurance, tourist accident insurance, personal pension insurance, personal medical insurance, recreation accident insurance, and so on. In the first half of last year the insurance premium earnings of life insurance totalled 133 million yuan, basically fulfilling the whole year's plan. Five million people have participated in different life insurance policies.

In 1984, in the various domestic businesses, the China People's Insurance Company handled over 420,000 cases of compensation involving a total of 650 million yuan and a compensatory rate of 43 percent. In the first half of last year, 350 million yuan in compensation was paid, showing a wide-margin growth over the corresponding period of the preceding year. Qin said: Through insurance compensation, we have stabilized the production and management of enterprises, have settled the people's livelihood, and have lightened the burdens of the financial and social welfare departments.

Increase in Overseas Insurance Items

In respect to the development of China's overseas insurance business, general manager Qin expressed optimism. He told the reporter that the China People's Insurance Company has set up an overseas insurance business in order to vigorously serve the policy of opening to the outside world. With the implementation of the policy of opening to the outside world, the overseas insurance business has developed further. The overseas insurance business has developed from simple import-export freight transport insurance in the early days after Liberation to more than 40 insurance items, including Sino-foreign joint venture insurance, imported materials processing insurance, compensatory trade insurance, construction project insurance, ship construction insurance, oil exploitation insurance, labor-service export insurance, public responsibility insurance, business discontinuation insurance, political risk insurance, nuclear power plant insurance, communications sanitation insurance and others. The China People's Insurance Company can handle all the insurance businesses which the international insurance market can handle. These overseas insurance businesses have adapted to the various demands of the overseas customers and have provided the necessary insurance for the latter. In particular, in light of the depression in the world insurance market and the increase in the trend of deficit of the reinsurance business, in the China People's Insurance Company has promoted its business relationship with the counterparts of other countries and has introduced and saved foreign exchange capital through handling reinsurance business.

In respect to the relationship with its international counterparts, general manager Qin said that, currently the China People's Insurance Company has set up a business relationship of insurance-sharing with nearly 1,000 counterparts of over 120 countries and regions in the world. In 1980, the China People's Insurance Company set up a liaison office in London to strengthen the relationship with its counterparts from other countries. The China People's Insurance Company and the London Branch of the Bank of China jointly set up the China Insurance Company (UK) in London. In 1981, the China People's Insurance Company and the U.S. International Insurance Group jointly set up the China-U.S. Insurance Company in Bermuda, with branches in New York and Hong Kong. In recent years, the China People's Insurance Company also participated in the Asian Reinsurance Company, which was sponsored by the the Consular Conference of the United Nations and the Economic and Social Council of the Asia Pacific regions; and joined the Southland Insurance Group of the New York Insurance Exchange of the United States. A total of 10 foreign insurance companies have set up agencies in Beijing.

In introducing the situation of compensation in the overseas insurance business of the China People's Insurance Company, general manager Qin said that the China People's Insurance Company all along embraces the spirit of complying with the agreement and keeping one's promise in handling overseas insurance compensation cases. The compensation is always paid quickly. A total of \$36.7 million involving various compensation (excluding the reinsurance business) was paid in 1984, as well as \$15 million in the first half of last year. In handling compensation cases, the China People's Insurance Company conscientiously clarifies responsibilities. If the carrier is responsible, compensation is recovered from the responsible party by means of various channels and in accordance with the relevant laws. Last year, Guangdong Province handled over 500 compensation-recovery cases of import-export freight transport insurance, involving nearly \$400,000. It has effectively supported China's foreign economic trade activities.

Lastly, general manager Qin said: The China People's Insurance Company will further perfect its organization, strengthen its management and improve its service quality. He said: We will adopt more flexible measures to meet our customer's demands and make an effort to open new businesses in order to develop the overseas insurance business by an even wider margin.

9335

CS0: 4006/565

FINANCE AND BANKING

WUHAN STEEL CORPORATION PROFIT TAXES REPORTED

Wuhan HUBEI RIBAO in Chinese 13 Nov 85 p 1

[Report by correspondent Zhang Dongsheng [1728 2639 3932] and reporter He Jinkai [0149 6855 7030]: "Wuhan Steel Realizes 3.967 Billion Yuan Profit Tax during 6th 5-Year Plan"]

[Text] On 4 November at the public lecture on revitalizing large enterprises held by the State Economic Commission, Huang Mobin [7806 1075 3453], Manager of the Wuhan Iron and Steel Corporation, said that the corporation has realized 3.967 billion yuan of profit taxes during the "Sixth 5-Year Plan" period, equivalent to 125.64 percent of the total profit taxes of the 23 years from 1958 when the corporation went into operation to 1980.

The basic approaches of the corporation to improve economic results are:

I. Increasing output. Due to the increase in output, the surplus product taxes and profits totaled 1.8 billion yuan in 5 years.

II. Improving quality. This year the comprehensive approval rate of steel products has reached 99.21 percent, 1.55 percent higher than 1981. In the last 3 years, the output of steel and steel products has respectively increased 1.2 million tons, but the total reject rate of steel-smelting and steel-rolling has correspondingly decreased by 0.255 million tons. The rate of outstanding quality products has improved from 6.05 percent in 1980 to 55 percent this year. The comprehensive finished-product passing rate from steel ingot to steel products has improved at an annual rate of 1.6 percent from 1982 to this year.

III. Changing the product structure. Because of the importation of advanced technology, a 1.7 meter steel rolling system has been built, resulting in a major change in the product structure of the Wuhan Iron and Steel Corporation. The profits of the products of the 1.7 meter system constitute over 80 percent of the gross profits of the corporation.

IV. Lowering consumption. During the "Sixth 5-Year Plan" period, the Wuhan Iron and Steel Corporation has offset the factor of price inflation by nearly 640 million yuan. One remarkable attempt has been through saving energy and lowering consumption. The consumption by an output value per 10,000 tons

(converted into standard coal) has been reduced from 20.81 tons in 1983 to 16.87 tons this year. The comprehensive energy consumption per ton of steel has been reduced from 1,439 kg in 1983 to 1,243 kg this year.

Huang Mobin further said that these approaches to improving economic results were realized as a result of the perseverance in the reform of the system of organization, the transfer of power to the lower levels domestically, the opening up to the outside world and the reliance on technological progress, all of which have strengthened the vitality of the enterprise. He indicated that the Wuhan Iron and Steel Corporation has the potential to gather up its strength to render even greater contributions during the "Seventh 5-year Plan" period.

Yesterday, 12 November, Xu Yuanjiu [1776 0626 0036], deputy chief accountant of the Wuhan Iron and Steel Corporation, announced that the corporation has put forth the goal early this year of surpassing 1 billion in profits taxes. As of 9 November, it has victoriously fulfilled its goal 52 days ahead of schedule, with an increase of more than 100 million yuan compared to that of last year.

9335

CSO: 4006/558

FINANCE AND BANKING

YANSHAN PETROCHEMICAL 1985 PROFIT TAX 1.3 BILLION YUAN

Beijing JINGJI RIBAO in Chinese 2 Dec 85 p 1

[Report by reporters Deng Wei [6772 4850] and Zheng Bo [6774 3134]: "Yanshan Petrochemical Turns Over to the State 1.3 Billion Yuan This Year"]

[Text] The Beijing Yanshan Petrochemical Corporation, in which there are over 50,000 staff and workers, will fulfill 2.6 billion yuan of gross industrial output value and will deliver 1.3 billion yuan of profit taxes to the state this year. During the "Sixth 5-Year Plan" period, the corporation has delivered a total of 6.16 billion yuan in profits and taxes to the state, ranking third in the country after the Daqing Oil Field and the Anshan Iron and Steel Corporation. In several weeks we will enter into the "Seventh 5-Year Plan" period. The corporation's goal is to deliver 10 billion yuan in profit taxes in the 5 years from 1986 to 1990.

The corporation is a modernized enterprise which ranges from oil refining to petrochemical production. The corporation has persevered in putting reform in the position of first importance, promoted the methods of managing modern enterprises, digested and absorbed imported technology and equipment, tapped potentials and accelerated the transformation of the enterprise from a purely productive mode to a business-development mode.

The leadership of the corporation indicated that, in order to revitalize a large-scale enterprise, we must first of all do well inside the enterprise. The corporation has drawn up 10 strategic targets of management and a program for development for 1986-1990. This year, we have begun to carry out the director responsibility system at all levels, from the manager of the corporation to the factory director and the section chief, who during their terms of office will implement the objectives at their respective levels. We have implemented the diverse economic responsibility systems with contracting as the center. Each contract is closely linked with economic results. This has aroused the enthusiasm of all cadres and workers.

On what basis could the Yanshan Petrochemical Corporation propose to deliver 10 billion yuan in profits and taxes for the 5 years during the "Seventh 5-Year Plan" period? With the exception of the oil refining and processing equipment, most of the production facilities of the major products of the corporation, such as polyethylene and polypropylene, are imported. Currently,

they have basically reached the technical index of similar facilities abroad. In order to make production breakthroughs, the keys are to emphasize technological transformation and tap production potentials. In 1984 the corporation invested 51.95 million yuan in technological transformation. More than 100 projects have been completed, yielding 27 million yuan in profits in the same year. This year, over 90 million yuan were invested, yielding a profit of more than 30 million yuan.

In order to realize the corporation's business objective of the "Seventh 5-Year Plan," another key is to make great effort to improve the level of business management, improve product quality and lower consumption. In light of the current level, the corporation's daily output value is over 7 million yuan. This figure has surpassed the sum total of the daily output value of the system under the Beijing Second Light Industry Bureau. The corporation is considering a more efficient management system to better adapt to reform, relaxation and revitalization. Currently, the various plants have established business decision-making consulting organs, strengthened the information network system, strictly implemented management by objective with quality as the key, as well as vigorously set up the tertiary industries in an effort attain a high-efficiency operation for the entire enterprise.

Whether a large-scale enterprise succeeds or not depends first of all on the enterprise's own effort. Whether or not society can join it in the creation of better conditions is also extremely important. Currently, the Yanshan Petrochemical Corporation is worried greatly about the problems which the large-scale enterprises are generally facing: Too little autonomy, too many supervisors, too many apportionments and too many collective investments. Some departments have asked for help by concocting various pretexts. During our interview, we encountered a film studio which was asking for an astonishingly large amount of "support funds." This year the corporation was compelled to put up various "support funds," the amount of which left people breathless. During the "Seventh 5-Year Plan" period, we must handle these problems properly, or we will prevent the further development of the production enthusiasm of the large-scale enterprises.

9335

CSO: 4006/558

END

END OF

FICHE

DATE FILMED

Aug. 21 1986

I